

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Manistee	County Manistee
Fiscal Year End June 30, 2006	Opinion Date August 18, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

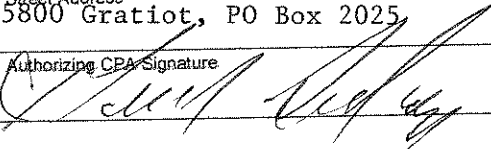
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments and recommendations for current year. Reportable condition disclosed in report on Compliance and Internal Control	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 989-799-9580	
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Authorized CPA Signature 		Printed Name Gerald J. Desloover CPA	Zip 48605
		License Number 1101007126	



**Manistee, Michigan**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
June 30, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

# CITY OF MANISTEE, MICHIGAN

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**REHMANN ROBSON**

*Certified Public Accountants*

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*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT**

September 30, 2006

The Honorable Mayor and  
Members of the City Council  
City of Manistee  
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the **City of Manistee, Michigan** (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the City of Manistee Housing Commission and Downtown Development Authority, which represents 91% and 4% of the assets and 74% and 15% of the revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar, as they relate to the amounts included for the City of Manistee's Housing Commission and Downtown Development Authority, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General, Major Street and Oil & Gas Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed on pages 3-11 and the schedule of funding progress on page 51 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Management's Discussion and Analysis**

The management of the *City of Manistee, Michigan* (the "City"), presents readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. This analysis is intended to assist the reader in focusing on significant financial issues and to provide a general overview of the City's financial activity.

### **Financial Highlights**

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$26,151,315 (net assets). Of this amount, \$3,742,595 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$664,191 or 3%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,660,366, a decrease of \$(398,786) or 4% from the prior year.
- At the end of the current fiscal year, the total General Fund balance was \$1,206,658; and unreserved, undesignated fund balance was \$1,099,674 or 21% percent of total General Fund expenditures and transfers out.
- The City's total governmental activities long-term debt increased by \$173,586 due to the issuance of a note payable for two snow plows and decreased in the amount of \$(210,211) because of scheduled principal payments.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public safety, public works, and recreation and culture. The business-type activities of the City include water and sewer, marina and boat ramp operations.

The government-wide financial statements include not only the City (known as the primary government), but also legally separate entities - the Downtown Development Authority, Manistee Housing Commission, and the Ramsdell Theater Restoration Project; which are *discretely presented component units* of the City. Financial information for these *component units* are reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, and Oil & Gas Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-21 of this report.



*Proprietary Funds* are also maintained by the City. There are two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, marina and boat ramp operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its motor pool. Because these services benefit general, major and local streets, and water and sewer fund functions, the services have been allocated between the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains four individual proprietary funds. Information is presented separately in the proprietary fund balance sheet and in the proprietary fund statement of revenues, expenses and changes in net assets for Water and Sewer Fund, which is considered to be a major fund of the City. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-27 of this report and in the business-type activities in the government-wide financial statements.

*Fiduciary Funds:* Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They should be read thoroughly as part of any review of the City's financial statements. The notes to the financial statements can be found on pages 29-48 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds and component units are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 49-84 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$26,161,315 at the close of the most recent fiscal year.

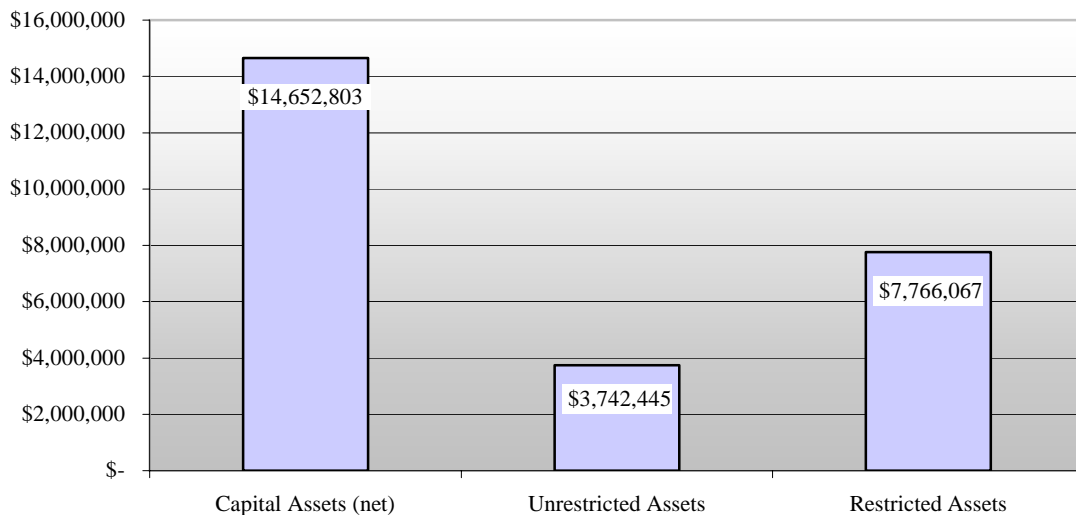
The largest portion of the City's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Manistee**  
**Net Assets as of June 30, 2006**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 10,590,999	\$ 10,775,782	\$ 2,888,869	\$ 2,335,116	\$ 13,479,868	\$ 13,110,898
Capital assets	<u>14,842,739</u>	<u>14,557,811</u>	<u>16,790,151</u>	<u>17,417,773</u>	<u>31,632,890</u>	<u>31,975,584</u>
Total assets	<u>25,433,738</u>	<u>25,333,593</u>	<u>19,679,020</u>	<u>19,752,889</u>	<u>45,112,758</u>	<u>45,086,482</u>
Long-term liabilities						
outstanding	7,144,227	7,359,068	11,187,548	11,589,336	18,331,775	18,948,404
Other liabilities	<u>484,009</u>	<u>377,429</u>	<u>135,659</u>	<u>135,490</u>	<u>619,668</u>	<u>512,919</u>
Total liabilities	<u>7,628,236</u>	<u>7,736,497</u>	<u>11,323,207</u>	<u>11,724,826</u>	<u>18,951,443</u>	<u>19,461,323</u>
Net assets						
Invested in capital						
assets, net of related						
debt	9,005,383	7,547,346	5,647,420	5,857,773	14,652,803	13,355,119
Restricted assets	6,494,534	6,414,380	1,271,533	767,853	7,765,917	7,182,233
Unrestricted	<u>2,305,585</u>	<u>3,635,370</u>	<u>1,436,860</u>	<u>1,402,437</u>	<u>3,742,595</u>	<u>5,087,807</u>
<b>Total net assets</b>	<b><u>\$17,805,502</u></b>	<b><u>\$17,597,096</u></b>	<b><u>\$ 8,355,813</u></b>	<b><u>\$ 8,028,063</u></b>	<b><u>\$26,161,315</u></b>	<b><u>\$25,625,159</u></b>

A portion of the City's net assets (30%) represents resources that are subject to external restrictions on how they may be used both for the City as a whole, as well as for its separate governmental and business-type activities. The balance in *restricted assets* reflects the charter-protected Oil & Gas Fund and the City's Bond Debt reserve. The remaining balance of *unrestricted net assets* (14%) may be used to meet the City's ongoing obligations to citizens and creditors.

**Net Assets**



## Financial Analysis of the City's Funds

The following table illustrates and summarizes the changes in Net Assets for the City and was derived from the Government-Wide Statement of Activities

### City of Manistee's Change in Net Assets For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Program Revenue</b>						
Charges for services	\$ 1,357,653	\$ 1,456,529	\$2,976,571	\$ 2,562,264	\$ 4,334,224	\$ 4,018,793
Operating grants and contributions	1,035,302	1,092,731	-	1,179	1,035,302	1,093,910
Capital grants and contributions	227,812	-	29,361	-	257,173	-
<b>General Revenue</b>						
Property taxes	3,671,590	3,602,912	-	-	3,671,590	3,602,912
Grants and contributions not restricted to specific programs	764,699	772,019	-	-	764,699	772,019
Contributions to permanent endowment	80,153	29,872	-	-	80,153	29,872
Other	<u>401,599</u>	<u>337,382</u>	<u>69,383</u>	<u>44,189</u>	<u>470,982</u>	<u>381,571</u>
<b>Total Revenues</b>	<b><u>7,538,808</u></b>	<b><u>7,291,445</u></b>	<b><u>3,075,315</u></b>	<b><u>2,607,632</u></b>	<b><u>10,614,123</u></b>	<b><u>9,899,077</u></b>
<b>Expenses</b>						
Legislative	48,898	39,952	-	-	48,898	39,952
General government	1,762,651	1,861,357	-	-	1,762,651	1,861,357
Highway & streets	461,446	515,378	-	-	461,446	515,378
Public safety	1,909,451	1,774,175	-	-	1,909,451	1,774,175
Public works	1,585,879	1,554,240	-	-	1,585,879	1,554,240
Community development	493,847	195,162	-	-	493,847	195,162
Recreation and culture	523,053	487,219	-	-	523,053	487,219
Interest on long-term debt	187,390	329,764	-	-	187,390	329,764
Water & sewer utility	-	-	2,748,395	2,681,508	2,748,395	2,681,508
Marina & boat ramp	<u>-</u>	<u>-</u>	<u>228,922</u>	<u>179,405</u>	<u>228,922</u>	<u>179,405</u>
<b>Total Expenses</b>	<b><u>6,972,615</u></b>	<b><u>6,757,247</u></b>	<b><u>2,977,317</u></b>	<b><u>2,860,913</u></b>	<b><u>9,949,932</u></b>	<b><u>9,618,160</u></b>
Increase (decrease) in net assets before transfers	566,193	534,198	97,998	(253,281)	664,191	280,917
Transfers	<u>(182,779)</u>	<u>(217,151)</u>	<u>182,779</u>	<u>217,151</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<b><u>383,414</u></b>	<b><u>317,047</u></b>	<b><u>280,777</u></b>	<b><u>(36,130)</u></b>	<b><u>664,191</u></b>	<b><u>280,917</u></b>
Net assets – beginning of year, as restated	<u>17,422,088</u>	<u>17,280,049</u>	<u>8,075,036</u>	<u>8,064,192</u>	<u>25,497,124</u>	<u>25,344,241</u>
<b>Net assets – end of year</b>	<b><u>\$17,805,502</u></b>	<b><u>\$17,597,096</u></b>	<b><u>\$8,355,813</u></b>	<b><u>\$ 8,028,062</u></b>	<b><u>\$26,161,315</u></b>	<b><u>\$ 25,625,158</u></b>

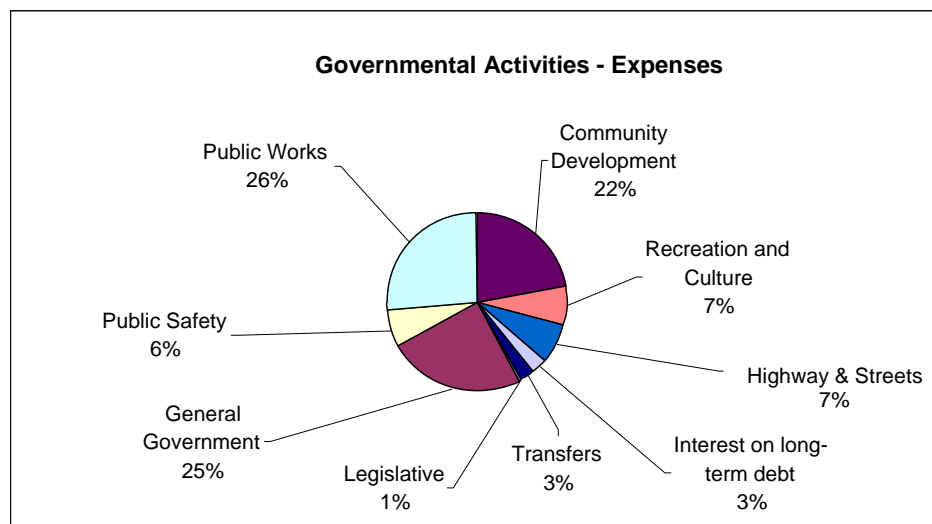
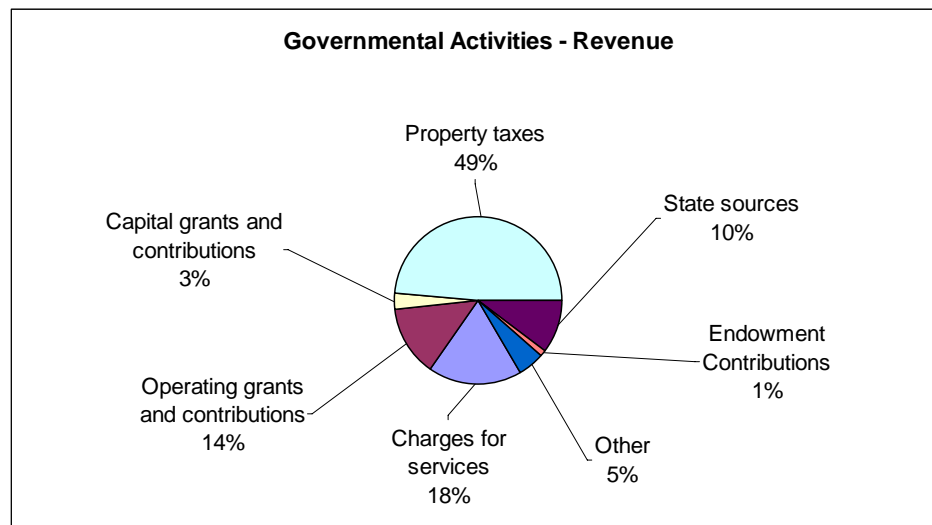
**Governmental Activities** Governmental activities increased the City's net assets by \$383,414, or 1.5%. Key elements of this performance are as follows:

- Increased property taxes
- Increased grant revenue.
- Expenses were largely held in check versus budget.
- Increased oil royalties

**Business-Type Activities** Business-type activities increased the City's net assets by \$280,777 or 1.0%. Key elements of this performance are as follows:

- Increased system revenues
- Lower interest payments due to bond refinancing

The following charts depict the breakdown of Government Activity revenues and expenses.



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,660,366, a decrease of \$(398,786) in comparison with the prior year. The decrease was due to a variety of normal operating activities, including higher year-end payables.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,206,658, and it had a balance of \$1,099,674 that was unreserved and undesignated. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures, including transfers out. Unreserved fund balance represents 21% percent of total General Fund expenditures including transfers out.

The General Fund balance decreased by \$(49,842) during the current fiscal year. This was the result of a policy change by City Council wherein all general fund fund balance in excess of 20% of prior year operating expenses and transfers out is transferred to the Capital Improvement Fund. The amount transferred out this year was \$220,000. Without this transfer, the General Fund would have had a \$170,000 surplus.

The Major Street Fund balance decreased by \$(322,302) during the current fiscal year. This is primarily attributable to construction projects.

The Oil & Gas Fund has a total fund balance of \$6,494,534, which increased by \$80,154 during the year. This increase is due entirely to oil & gas royalties received. Higher crude oil prices during the year, coupled with increased production, allowed revenue to significantly increase. The City Charter prevents the principal of this fund to be spent without a vote of the people.

*Proprietary Funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of Water and Sewer, Municipal Marina and the Boat Ramps Funds at the end of the year amounted to \$1,436,860, restricted assets of \$1,271,533 and capital assets net of related debt of \$5,647,420. The Water and Sewer Fund had an increase in net assets for the year of \$281,220, the Municipal Marina and Boat Ramp had a decrease of \$(4,206). The Water and Sewer Fund operated at a surplus this year for the first time in several years. Previously, the utility had not been generating sufficient revenue to fully fund depreciation. The higher revenue was attributed to the year-end rate increase, and the surcharge being applied to the Oaks Correctional Facility. This increase is in anticipation of the WWTP expansion.

## General Fund Budgetary Highlights

During the year, General Fund revenues were over amended budgetary estimates by \$145,399 while other financing sources, namely net transfers, were above by \$5,314 for a total revenue variance of \$150,713. In addition, actual expenditures were under budgetary estimates by \$121,522. As a result, the fund balance decreased by \$(49,842) which was less than the budgeted estimate of \$(351,008).

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$31,632,890 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, bridges and construction in progress. The total net increase in the City's investment in capital assets for the current fiscal year was \$342,694. Major capital asset events during the current fiscal year included the following:

- Completed renovation of City Hall with an approximate cost of \$2,900,000
- Acquired two snowplows for the DPW

### *City of Manistee's Capital Assets* (net of depreciation)

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Land	\$ 1,516,331	\$ -	\$ 1,516,331
Land improvements	4,046,338	112,630	4,158,968
Buildings and structures	4,060,904	150,922	4,211,826
Furniture and equipment	620,262	254,381	874,643
Vehicles	1,062,571	-	1,062,571
Infrastructure	<u>3,536,333</u>	<u>16,272,218</u>	<u>19,808,551</u>
<b>Total</b>	<b><u>\$ 14,842,739</u></b>	<b><u>\$ 16,790,151</u></b>	<b><u>\$ 31,632,890</u></b>

Additional information on the City's capital assets can be found in Note III.C on pages 38-40 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt and lease payables of \$18,303,664. Of this amount, \$9,290,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases, loans and bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Manistee's Outstanding Debt**  
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 5,290,000	\$ 4,000,000	\$ 9,290,000
Lease payable	587,356	-	587,356
MEDC Loan	1,046,308	-	1,046,308
Revenue bonds	<u>-</u>	<u>7,380,000</u>	<u>7,380,000</u>
<b>Total</b>	<b><u>\$ 6,923,664</u></b>	<b><u>\$ 11,380,000</u></b>	<b><u>\$ 18,303,664</u></b>

The City's and Component Unit total debt decreased by \$439,361.

The City has a "AA" rating from Standard & Poor's for its Michigan Transportation Fund Bonds, and a low investment grade rating indicator on its Water & Sewer debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% percent of its total assessed valuation. The current debt limitation for the City is \$18,113,933, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note III.E on pages 42-44 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following significant factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- A decrease in health care costs due to reform measures implemented.
- No reduction in State Revenue Sharing funds.
- Revenue decrease of \$191,672 due to 1 mill operating cut

### **Requests for Information**

This discussion and analysis is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, PO Box 358, Manistee, Michigan 49660 or via email at [ebradford@ci.manistee.mi.us](mailto:ebradford@ci.manistee.mi.us) or by visiting our website.

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2006**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,653,240	\$ 482,104	\$ 4,135,344
Investments	6,356,000	199,850	6,555,850
Receivables	140,609	458,974	599,583
Due from other governments	396,942	-	396,942
Internal balances	(90,230)	90,230	-
Prepaid items	46,297	10,423	56,720
Inventory	-	11,943	11,943
Restricted cash	-	971,533	971,533
Restricted investments	-	300,000	300,000
Deferred charges	88,141	363,812	451,953
Land	1,516,331	51,974	1,568,305
Capital assets, net	13,326,408	16,738,177	30,064,585
<b>TOTAL ASSETS</b>	<b>25,433,738</b>	<b>19,679,020</b>	<b>45,112,758</b>
<b>LIABILITIES</b>			
Accounts payable	251,028	56,030	307,058
Accrued liabilities	44,468	8,699	53,167
Accrued interest payable	63,848	46,230	110,078
Customer deposits	99,665	24,700	124,365
Unearned Revenues	25,000	-	25,000
Long-term liabilities			
Due within one year	564,288	605,000	1,169,288
Due in more than one year	6,579,939	10,582,548	17,162,487
<b>TOTAL LIABILITIES</b>	<b>7,628,236</b>	<b>11,323,207</b>	<b>18,951,443</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,005,383	5,647,420	14,652,803
Restricted for			
Debt service	-	1,271,533	1,271,533
Expendable portion of Public Improvement Fund	50,818	-	50,818
Nonexpendable portion of Public Improvement Fund	6,443,716	-	6,443,716
Unrestricted	2,305,585	1,436,860	3,742,445
<b>TOTAL NET ASSETS</b>	<b>\$ 17,805,502</b>	<b>\$ 8,355,813</b>	<b>\$ 26,161,315</b>

The accompanying notes are an integral part of these financial statements.

COMPONENT UNITS		
RAMSDELL THEATRE	HOUSING COMMISSION (12/31/05)	DOWNTOWN DEVELOPMENT AUTHORITY
\$ 15,115	\$ 304,744	\$ 338,593
-	-	-
-	4,102	39,261
-	27,555	-
-	-	-
-	27,186	-
-	-	-
-	-	-
-	-	-
-	312,216	-
-	2,990,585	-
15,115	3,666,388	377,854
1,904	33,702	-
-	150,338	-
-	-	-
-	24,807	-
-	31,879	-
-	-	-
-	-	-
1,904	240,726	-
-	3,302,801	-
-	-	-
-	-	-
-	-	-
13,211	122,861	377,854
\$ 13,211	\$ 3,425,662	\$ 377,854

CITY OF MANISTEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental activities					
Legislative	\$ 48,898	\$ -	\$ -	\$ -	\$ (48,898)
General government	1,853,579	837,061	62,104	-	(954,414)
Highway and streets	415,116	188,989	520,233	227,812	521,918
Police	1,167,548	-	-	-	(1,167,548)
Fire	707,838	-	-	-	(707,838)
Public safety	34,065	13,450	9,060	-	(11,555)
Public works	1,541,281	126,755	73,097	-	(1,341,429)
Community development	493,847	45,442	370,808	-	(77,597)
Recreation and cultural	523,053	-	-	-	(523,053)
Interest expense on long-term debt	187,390	145,956	-	-	(41,434)
TOTAL GOVERNMENTAL ACTIVITIES	6,972,615	1,357,653	1,035,302	227,812	(4,351,848)
Business-type activities					
Water and sewer	2,748,395	2,753,505	-	29,361	34,471
Boat ramp	22,676	38,026	-	-	15,350
Marina	206,246	185,040	-	-	(21,206)
TOTAL BUSINESS-TYPE ACTIVITIES	2,977,317	2,976,571	-	29,361	28,615
TOTAL PRIMARY GOVERNMENT	\$ 9,949,932	\$ 4,334,224	\$ 1,035,302	\$ 257,173	\$ (4,323,233)
COMPONENT UNITS					
Ramsdell theatre	51,296	-	36,040	-	(15,256)
Housing commission (12/31/05)	1,251,580	-	887,997	228,519	(135,064)
Downtown development authority	118,677	5,400	-	-	(113,277)
TOTAL COMPONENT UNITS	\$ 1,421,553	\$ 5,400	\$ 924,037	\$ 228,519	\$ (263,597)

**CITY OF MANISTEE**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2006**

<b>FUNCTIONS/PROGRAMS</b>	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGE IN NET ASSETS</b>			
Net (expense) revenue	\$ (4,351,848)	\$ 28,615	\$ (4,323,233)
General revenues			
Property taxes	3,671,590	-	3,671,590
Grants and contributions not restricted to specific programs	764,699	-	764,699
Unrestricted investment earnings	360,728	54,362	415,090
Gain on sale of capital assets	35,000	-	35,000
Other revenues	5,871	15,021	20,892
Contribution to permanent endowment	80,153	-	80,153
Internal transfers	(182,779)	182,779	-
<b>TOTAL GENERAL REVENUES, CONTRIBUTIONS AND TRANSFERS</b>	<b>4,735,262</b>	<b>252,162</b>	<b>4,987,424</b>
<b>CHANGE IN NET ASSETS</b>	<b>383,414</b>	<b>280,777</b>	<b>664,191</b>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	17,422,088	8,075,036	25,497,124
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 17,805,502</b>	<b>\$ 8,355,813</b>	<b>\$ 26,161,315</b>

Continued...

The accompanying notes are an integral part of these financial statements.

<div>COMPONENT UNITS</div>		
RAMSDELL THEATRE	HOUSING COMMISSION (12/31/05)	DOWNTOWN DEVELOPMENT AUTHORITY
\$ (15,256)	\$ (135,064)	\$ (113,277)
-	-	253,477
-	-	-
297	5,408	8,592
-	-	-
-	-	649
-	-	-
-	-	-
<b>297</b>	<b>5,408</b>	<b>262,718</b>
<b>(14,959)</b>	<b>(129,656)</b>	<b>149,441</b>
28,170	3,555,318	228,413
<b>\$ 13,211</b>	<b>\$ 3,425,662</b>	<b>\$ 377,854</b>

Concluded

## **FUND FINANCIAL STATEMENTS**

**CITY OF MANISTEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2006**

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Oil &amp; Gas Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,003,577	\$ 194,581	\$ 157,705	\$ 1,837,223	\$ 3,193,086
Investments	-	-	6,356,000	-	6,356,000
Receivables					
Accounts	79,672	-	-	17,932	97,604
Taxes	3,009	-	-	34,641	37,650
Interest	1,242	-	4,113	-	5,355
Due from other governments	243,967	93,774	-	59,201	396,942
Due from other funds	62,235	-	-	-	62,235
Prepaid items	46,297	-	-	-	46,297
<b>TOTAL ASSETS</b>	<b>\$ 1,439,999</b>	<b>\$ 288,355</b>	<b>\$ 6,517,818</b>	<b>\$ 1,948,997</b>	<b>\$ 10,195,169</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 89,208	\$ 60,242	\$ -	\$ 83,611	\$ 233,061
Accrued liabilities	44,468	-	-	-	44,468
Deposits held	99,665	-	-	-	99,665
Due to other funds	-	25,315	23,284	62,235	110,834
Deferred revenue	-	-	-	46,775	46,775
<b>Total liabilities</b>	<b>233,341</b>	<b>85,557</b>	<b>23,284</b>	<b>192,621</b>	<b>534,803</b>
<b>Fund balances</b>					
Reserved					
Prepaid items	46,297	-	-	-	46,297
Public improvement	-	-	6,443,716	-	6,443,716
Debt retirement	-	-	-	20,877	20,877
Capital projects	-	-	-	609,292	609,292
Unreserved					
Unreserved	1,160,361	202,798	50,818	-	1,413,977
Unreserved, reported in nonmajor Special revenue funds	-	-	-	1,126,207	1,126,207
<b>Total fund balances</b>	<b>1,206,658</b>	<b>202,798</b>	<b>6,494,534</b>	<b>1,756,376</b>	<b>9,660,366</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,439,999</b>	<b>\$ 288,355</b>	<b>\$ 6,517,818</b>	<b>\$ 1,948,997</b>	<b>\$ 10,195,169</b>

Continued...

The accompanying notes are an integral part of these financial statements.



**CITY OF MANISTEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2006**

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**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets**

Fund balances - total governmental funds	\$ 9,660,366
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Amounts reported for governmental activities in the statement of net assets are different because:

Certain assets used in governmental activities, such as capital assets, are not financial resources, and therefore not reported in the funds.

Add: capital assets	16,822,869
Subtract: accumulated depreciation	(3,366,355)
Add: deferred charges	100,733
Subtract: accumulated amortization	(12,592)

Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	21,775
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An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	1,287,044
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.

Subtract: bonds payable	(5,350,000)
Subtract: notes payable	(27,618)
Subtract: accrued interest on long-term liabilities	(63,848)
Subtract: Michigan Economic Development Corporation Loan	(1,046,308)
Subtract: accrued compensated absences	(220,563)

<b>Net assets of governmental activities</b>	<b>\$ 17,805,503</b>
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Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Major Street Fund	Oil & Gas Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>					
Taxes	\$ 3,408,042	\$ -	\$ -	\$ 263,548	\$ 3,671,590
Federal sources	9,060	227,812	-	443,905	680,777
State sources	764,699	382,393	-	141,000	1,288,092
Rental income	-	-	-	-	-
Charges for services	633,163	141,985	-	277,353	1,052,501
Licenses and permits	4,393	-	-	-	4,393
Fines and forfeits	54,829	-	-	-	54,829
Interest revenue	52,691	9,626	224,820	58,855	345,992
Reimbursement	-	-	-	145,956	145,956
Miscellaneous	167,130	-	80,153	38,371	285,654
<b>TOTAL REVENUES</b>	<b>5,094,007</b>	<b>761,816</b>	<b>304,973</b>	<b>1,368,988</b>	<b>7,529,784</b>
<b>EXPENDITURES</b>					
Current operations					
Legislative	48,898	-	-	-	48,898
General government	1,576,782	-	40	376,366	1,953,188
Public safety	1,694,927	-	-	24,159	1,719,086
Highways and streets	-	941,463	-	161,277	1,102,740
Public works	1,012,941	-	-	444,343	1,457,284
Community development	-	-	-	424,400	424,400
Recreation and cultural	330,334	-	-	-	330,334
Appropriations and other	167,196	-	-	-	167,196
Debt service					
Principal	-	-	-	301,230	301,230
Interest expense	-	-	-	241,435	241,435
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,831,078</b>	<b>941,463</b>	<b>40</b>	<b>1,973,210</b>	<b>7,745,791</b>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>262,929</b>	<b>(179,647)</b>	<b>304,933</b>	<b>(604,222)</b>	<b>(216,007)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	126,761	-	-	632,568	759,329
Transfers out	(439,532)	(142,655)	(224,779)	(135,142)	(942,108)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(312,771)</b>	<b>(142,655)</b>	<b>(224,779)</b>	<b>497,426</b>	<b>(182,779)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(49,842)</b>	<b>(322,302)</b>	<b>80,154</b>	<b>(106,796)</b>	<b>(398,786)</b>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	1,256,500	525,100	6,414,380	1,863,172	10,059,152
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,206,658</b>	<b>\$ 202,798</b>	<b>\$ 6,494,534</b>	<b>\$ 1,756,376</b>	<b>\$ 9,660,366</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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**Reconciliation of the Statement of Revenues, Expenditures and Change in Fund  
Balances of Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds \$ (398,786)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report long-term receivables as deferred revenue. However, in the statement of activities, those receivables are recognized as revenue when they are initially recorded.

Subtract: payments on deferred receivables (8,211)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay 986,232  
Subtract: net carrying value of disposed items (21,902)  
Subtract: depreciation expense (426,254)

Governmental funds report bond issuance costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.

Subtract: amortization expense (5,037)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities 254,950

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in accrued interest on long-term liabilities 78,486  
Subtract: increase in the accrual of compensated absences (76,734)

An internal service fund is used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Add: interest revenue from governmental internal service fund 14,736  
Add: other revenue from governmental internal service fund 2,500  
Subtract: interest expense from governmental internal service fund (24,442)  
Add: net revenue of certain activities of the internal service fund reported with  
governmental activities 7,876

**Change in net assets of governmental activities \$ 383,414**

Concluded

The accompanying notes are an integral part of these financial statements.

# CITY OF MANISTEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Taxes	\$ 3,312,474	\$ 3,401,474	\$ 3,408,042	\$ 6,568
Federal sources	-	-	9,060	9,060
State sources	773,000	773,834	764,699	(9,135)
Charges for services	639,800	639,800	633,163	(6,637)
Licenses and permits	9,050	8,500	4,393	(4,107)
Fines and forfeits	45,000	45,000	54,829	9,829
Interest revenue	35,000	35,000	52,691	17,691
Miscellaneous	45,000	45,000	167,130	122,130
<b>TOTAL REVENUES</b>	<b>4,859,324</b>	<b>4,948,608</b>	<b>5,094,007</b>	<b>145,399</b>
<b>EXPENDITURES</b>				
Current operations				
Legislative	45,387	49,387	48,898	(489)
General government	1,505,822	1,575,822	1,576,782	960
Public safety	1,796,071	1,796,071	1,694,927	(101,144)
Public works	985,911	985,911	1,012,941	27,030
Recreation and cultural	378,496	378,496	330,334	(48,162)
Appropriations	158,913	166,913	167,196	283
<b>TOTAL EXPENDITURES</b>	<b>4,870,600</b>	<b>4,952,600</b>	<b>4,831,078</b>	<b>(121,522)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,276)</b>	<b>(3,992)</b>	<b>262,929</b>	<b>266,921</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	121,447	121,447	126,761	5,314
Transfers out	(168,463)	(468,463)	(439,532)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(47,016)</b>	<b>(347,016)</b>	<b>(312,771)</b>	<b>5,314</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(58,292)</b>	<b>(351,008)</b>	<b>(49,842)</b>	<b>301,166</b>
FUND BALANCE, BEGINNING OF YEAR	1,256,500	1,256,500	1,256,500	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,198,208</b>	<b>\$ 905,492</b>	<b>\$ 1,206,658</b>	<b>\$ 301,166</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
MAJOR STREET  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 450,000	\$ 227,812	\$ (222,188)
State sources	370,000	370,000	382,393	12,393
Charge for services	130,000	130,000	141,985	11,985
Interest revenue	2,000	2,000	9,626	7,626
<b>TOTAL REVENUES</b>	<b>502,000</b>	<b>952,000</b>	<b>761,816</b>	<b>(190,184)</b>
<b>EXPENDITURES</b>				
Highways and streets	448,000	898,000	941,463	43,463
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>54,000</b>	<b>54,000</b>	<b>(179,647)</b>	<b>(233,647)</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(142,655)	(142,655)	(142,655)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(88,655)</b>	<b>(88,655)</b>	<b>(322,302)</b>	<b>(233,647)</b>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATE	525,100	525,100	525,100	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 436,445</b>	<b>\$ 436,445</b>	<b>\$ 202,798</b>	<b>\$ (233,647)</b>

**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
OIL & GAS FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>				
Interest revenue	\$ 275,000	\$ 275,000	\$ 224,820	\$ (50,180)
Miscellaneous	<u>70,000</u>	<u>70,000</u>	<u>80,153</u>	<u>10,153</u>
<b>TOTAL REVENUES</b>	<b>345,000</b>	<b>345,000</b>	<b>304,973</b>	<b>(40,027)</b>
<b>EXPENDITURES</b>				
General government	<u>500</u>	<u>500</u>	<u>40</u>	<u>(460)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>344,500</b>	<b>344,500</b>	<b>304,933</b>	<b>(39,567)</b>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(275,000)</u>	<u>(275,000)</u>	<u>(224,779)</u>	<u>50,221</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>69,500</b>	<b>69,500</b>	<b>80,154</b>	<b>10,654</b>
FUND BALANCE, BEGINNING OF YEAR	<u>6,414,380</u>	<u>6,414,380</u>	<u>6,414,380</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 6,483,880</u></b>	<b><u>\$ 6,483,880</u></b>	<b><u>\$ 6,494,534</u></b>	<b><u>\$ 10,654</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**JUNE 30, 2006**

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 421,442	\$ 60,662	\$ 482,104	\$ 460,154
Accounts receivable	429,098	515	429,613	-
Due from other governments	29,361	-	29,361	-
Due from other fund	48,599	-	48,599	-
Prepaid items	10,143	280	10,423	-
Inventory	-	11,943	11,943	-
<b>Total current assets</b>	<b>938,643</b>	<b>73,400</b>	<b>1,012,043</b>	<b>460,154</b>
<b>Restricted assets</b>				
Cash and cash equivalents	971,533	-	971,533	-
Investments	300,000	-	300,000	-
<b>Total restricted assets</b>	<b>1,271,533</b>	<b>-</b>	<b>1,271,533</b>	<b>-</b>
<b>Long-term assets</b>				
Investments	199,850	-	199,850	-
Capital assets (net of accumulated depreciation)	16,340,856	449,295	16,790,151	1,386,225
Deferred charges	363,812	-	363,812	-
<b>Total long-term assets</b>	<b>16,904,518</b>	<b>449,295</b>	<b>17,353,813</b>	<b>1,386,225</b>
<b>TOTAL ASSETS</b>	<b>19,114,694</b>	<b>522,695</b>	<b>19,637,389</b>	<b>1,846,379</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	46,249	9,781	56,030	17,967
Accrued liabilities	6,876	1,822	8,698	-
Accrued interest	46,230	-	46,230	-
Customer deposits	24,700	-	24,700	-
Due to other funds	-	-	-	-
Current portion of long-term debt	605,000	-	605,000	144,862
<b>Total current liabilities</b>	<b>729,055</b>	<b>11,603</b>	<b>740,658</b>	<b>162,829</b>
<b>Long-term liabilities</b>				
Accrued compensated absences	44,817	-	44,817	-
Long-term debt less current portion	10,537,731	-	10,537,731	354,876
<b>Total long-term liabilities</b>	<b>10,582,548</b>	<b>-</b>	<b>10,582,548</b>	<b>354,876</b>
<b>TOTAL LIABILITIES</b>	<b>11,311,603</b>	<b>11,603</b>	<b>11,323,206</b>	<b>517,705</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,198,125	449,295	5,647,420	886,487
Restricted for debt service	1,271,533	-	1,271,533	-
Unrestricted	1,333,433	61,797	1,395,230	442,187
<b>TOTAL NET ASSETS</b>	<b>\$ 7,803,091</b>	<b>\$ 511,092</b>	<b>\$ 8,314,183</b>	<b>\$ 1,328,674</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2006**

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**Reconciliation of Net Assets on the Statement of Net Assets for Enterprise Funds  
to Net Assets of Business-Type Activities on the Statement of Net Assets**

Net assets - total enterprise funds	\$ 8,314,183
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Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets.

Add: net assets of business-type accounted for in internal service funds	<u>41,630</u>
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<b>Net assets of business-type activities</b>	<b><u>\$ 8,355,813</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.



**CITY OF MANISTEE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Water and Sewer Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,753,505	\$ 223,066	\$ 2,976,571	\$ 297,000
<b>OPERATING EXPENSES</b>				
Water operations	684,683	-	684,683	-
Sewer WWTP	647,078	-	647,078	-
Sewer collection - streets	219,851	-	219,851	-
Boat ramp operations	-	18,343	18,343	-
Marina operations	-	179,601	179,601	-
Motor pool operations	-	-	-	33,635
Depreciation and amortization	820,047	30,978	851,025	251,726
<b>TOTAL OPERATING EXPENSES</b>	<b>2,371,659</b>	<b>228,922</b>	<b>2,600,581</b>	<b>285,361</b>
<b>OPERATING INCOME (LOSS)</b>	<b>381,846</b>	<b>(5,856)</b>	<b>375,990</b>	<b>11,639</b>
<b>NON-OPERATING (EXPENSE) REVENUE</b>				
Interest revenue	52,712	1,650	54,362	14,736
Miscellaneous	15,021	-	15,021	2,500
Interest expense	(351,138)	-	(351,138)	(24,442)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<b>(283,405)</b>	<b>1,650</b>	<b>(281,755)</b>	<b>(7,206)</b>
Net (loss) income before transfers	98,441	(4,206)	94,235	4,433
<b>TRANSFERS</b>				
Transfers in	224,779	-	224,779	-
Transfers out	(42,000)	-	(42,000)	-
<b>TOTAL TRANSFERS</b>	<b>182,779</b>	<b>-</b>	<b>182,779</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>281,220</b>	<b>(4,206)</b>	<b>277,014</b>	<b>4,433</b>
NET ASSETS, BEGINNING OF YEAR	7,521,871	515,298	8,037,169	1,324,241
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,803,091</b>	<b>\$ 511,092</b>	<b>\$ 8,314,183</b>	<b>\$ 1,328,674</b>

Continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

---

**Reconciliation of the Statement of Revenues, Expenses and Changes in Net  
Assets of Enterprise Funds to the Statement of Activities**

<b>Change in net assets - total enterprise funds</b>	<b>\$ 277,014</b>
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Add: net operating gain from business-type activities accounted for in internal service funds.

3,763

<b>Change in net assets of business-type activities</b>	<b>\$ <u>280,777</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Water and Sewer Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,753,681	\$ 223,806	\$ 2,977,487	\$ -
Cash received from interfund services provided	-	-	-	297,000
Cash payments to employees	(585,064)	(38,230)	(623,294)	-
Cash payments to suppliers for goods and services	(938,223)	(168,588)	(1,106,811)	(20,163)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,230,394</b>	<b>16,988</b>	<b>1,247,382</b>	<b>276,837</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous income	15,021	-	15,021	2,500
Transfers in from other funds	224,779	-	224,779	-
Note payable proceeds	-	-	-	-
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>239,800</b>	<b>-</b>	<b>239,800</b>	<b>2,500</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(176,433)	-	(176,433)	-
Bond issuance costs and premium on refunding	(134,768)	-	-	-
Principal payments	(545,000)	-	(545,000)	(210,211)
Interest payments	(359,357)	-	(359,357)	(33,165)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,215,558)</b>	<b>-</b>	<b>(1,215,558)</b>	<b>(243,376)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	-	-	-	-
Purchase of investments	-	-	-	-
Interest revenue	11,264	1,650	12,914	14,736
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>11,264</b>	<b>1,650</b>	<b>12,914</b>	<b>14,736</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>265,900</b>	<b>18,638</b>	<b>284,538</b>	<b>50,697</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,127,075	42,024	1,169,099	409,457
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,392,975</b>	<b>\$ 60,662</b>	<b>\$ 1,453,637</b>	<b>\$ 460,154</b>
<b>STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	\$ 421,442	\$ 60,662	\$ 482,104	\$ 460,154
Restricted assets	971,533	-	971,533	-
	<b>\$ 1,392,975</b>	<b>\$ 60,662</b>	<b>\$ 1,453,637</b>	<b>\$ 460,154</b>

Continued...

# CITY OF MANISTEE

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Water and Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 381,846	\$ (5,856)	\$ 375,990	\$ 11,639
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	820,047	30,978	851,025	251,726
Changes in assets and liabilities				
Accounts receivable	(2,624)	740	(1,884)	-
Prepaid items	1,179	175	1,354	-
Inventory	1	(2,973)	(2,972)	-
Accounts payable	10,658	(6,444)	4,214	13,472
Accrued liabilities	1,006	368	1,374	-
Accrued compensated absences	15,481	-	15,481	-
Customer deposits	2,800	-	2,800	-
<b>Net cash provided by operating activities</b>	<b>\$ 1,230,394</b>	<b>\$ 16,988</b>	<b>\$ 1,247,382</b>	<b>\$ 276,837</b>
<b>Non-cash capital and related financing activities</b>				
Acquisition of capital assets through notes payable	\$ -	\$ -	\$ -	\$ 173,586
Advance refunding bond paid to escrow agent	6,285,000	-	6,285,000	-
Defeasance of bonds as a result of refunding	(5,920,000)	-	(5,920,000)	-
Deferred loss on advance refunding	(298,084)	-	(298,084)	-
	66,916	-	66,916	173,586

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF MANISTEE**

**STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS**

**JUNE 30, 2006**

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	<u><b>Agency</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	<u><u>\$ 47,915</u></u>
<b>LIABILITIES</b>	
Accrued liabilities	\$ 17,691
Due to other governments	<u>30,224</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 47,915</u></u>

The accompanying notes are an integral part of these financial statements.

# **CITY OF MANISTEE, MICHIGAN**

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### **Notes to the Financial Statements**

**June 30, 2006**

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# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### ***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### **A. Reporting entity**

The ***City of Manistee*** ("City") is directed by a City Council elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning and general administrative services. The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 and Statement No. 39, regarding the definition of the reporting entity.

#### **Discretely Presented Component Units**

**Ramsdell Theatre Restoration Project**– In accordance with GASB Statement No. 39, the financial statements of the Ramsdell Theatre Restoration Project are included as a discretely presented component unit in the financial statements of the City. A complete financial statement of the Ramsdell Theatre Restoration is included within these financial statements.

The Ramsdell Theatre Restoration financial statements are prepared in accordance with the accounting standards established by the Financial Accounting Standards Board and accordingly, a reporting model different from that of the City is used. The Ramsdell Theatre Restoration's financial statements included within reflect both models.

**Manistee City Housing Commission** – The Mayor with approval of the City Council appoints the members of the governing board of the commission. The Commission's fiscal year end is December 31, 2005. A complete financial statement of the Housing Commission can be obtained from the Executive Director, City of Manistee Housing Commission, Century Terrace, Manistee, Michigan 49660.

**Downtown Development Authority ("DDA")** – The Mayor with approval of the City Council appoints the members of the governing board of the DDA. The City also has the ability to significantly influence the operations of the DDA. A complete financial statement of the DDA can be obtained from the City Finance Director, City of Manistee, 70 Maple Street, PO Box 358, Manistee, Michigan 49660-0358.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

---

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* accounts for the use of money received from the State of Michigan under the revenue sharing guidelines of Public Act 51.

The *Oil & Gas Fund* accounts for the use of money derived from oil and gas royalties, which was endowed in a permanent fund. The income from the endowment is used to subsidize the water and sewer operations. The City is starting to phase out the subsidy so the water and sewer operations will become self-sufficient, and interest from this fund can be used for capital improvements .

The *Water and Sewer Fund* is the City's major proprietary fund. It accounts for the activities of the City's water distribution, sewage disposal and treatment system.

Additionally, the City reports the following fund types:

The *Internal Service Fund* accounts for fleet and equipment management to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The *Agency Funds* account for assets held for other governments in an agency capacity, including tax collections.



# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function, cost of building rent and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund and of the government's

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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Motor Pool Internal Service Fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then use unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### ***1. Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair market value.

#### ***2. Restricted Assets***

Cash and investments are restricted by bond debt requirements in the amount of \$1,271,383.

#### ***3. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### ***4. Inventory***

Inventory (if held) by the enterprise funds is valued at cost on the first-in, first-out basis. Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost value of such inventories has been treated as an expenditure at the time of purchase.

#### ***5. Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Public domain infrastructure	50
System infrastructure	50
Vehicles	3-20
Equipment	5-10

Capital assets of the Housing Commission with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their useful lives. Depreciation is provided on a straight-line basis using the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings - dwellings	40
Buildings - nondwellings	20
Equipment - dwellings	7
Equipment - nondwellings	5-7
Building improvements	5-40

### 6. *Compensated absences*

Vacation and sick days for the City's salaried and some hourly employees are determined by the City's personnel policies, and the remaining City's hourly employees are determined by the union agreement between the City and the employees' union. The liability for these amounts will be included in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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The Housing Commission allows permanent employees to accumulate the following compensated absences:

- Vacation leave with pay granted annually shall be used within eighteen months after qualifying for the same. Vacation leave not used shall be forfeited.
- Each employee shall be granted one day for each month of employment for sick leave, not to exceed twelve days per year. Employees may accumulate up to 180 sick leave days.
- Each employee who has two or more years of service shall be granted three days per year for personal business not to be deducted from sick leave. Employees with less than two years of service shall be granted one day off per year for personal business not to be deducted from sick leave.

### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **8. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **9. *Current Vulnerability due to Certain Concentrations***

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or administrative changes mandated by HUD. Such changes may occur with little notice and inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

# **CITY OF MANISTEE, MICHIGAN**

## **Notes to the Financial Statements**

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### ***II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

#### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Not later than May 15<sup>th</sup> of each year, the Council shall by resolution adopt a budget for the next fiscal year, shall appropriate the money needed for municipal purposes during the next fiscal year of the City and shall provide for a levy of the amount necessary to be raised by taxes upon real and personal property for municipal purposes subject to limitations.

The budget document presents information by fund, department, and line items. The legal level of budgetary control adopted by the City Council is the department level, which is the level at which expenditures may not legally exceed appropriations. A City Council resolution may approve transfers of appropriations between departments.

#### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2006, the General Fund had activities in which expenditures exceeded appropriations. The General Service Board and Administration activity was over budget by \$2,328. The Other General Government activity was over budget by \$70,128. The Engineering activity was over budget by \$9,330. The General Public Works activity was over budget by \$17,700. The Appropriations activity was over budget by \$283. These over expenditure were funded by greater than anticipated revenues in that fund and the use of prior year fund balance.

For the year ended June 30, 2006, the Major Streets Fund expenditures exceeded appropriations by \$43,463. This over expenditure was funded by greater than anticipated revenues in that fund and the use of prior year fund balance.

### ***III. DETAILED NOTES ON ALL FUNDS***

#### **A. Deposits and investments**

Michigan Compiled Laws, Section 129.91 authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the state of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated six banks for the deposit of City funds. The investment policy

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

adopted by the Council in accordance with Public Act 20 of 1943 has authorized all allowable investments except repurchase agreements.

The City's deposit and investment policy are in accordance with statutory authority.

Cash and cash equivalents, investments and restricted assets are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 3,653,240	\$ 482,104	\$ 4,135,344	\$ 47,915	\$ 658,452
Investments	6,356,000	199,850	6,555,850	-	-
Restricted cash and cash equivalents	-	971,533	971,533	-	-
Investments	-	300,000	300,000	-	-
<b>Total</b>	<b><u>\$10,009,240</u></b>	<b><u>\$ 1,953,487</u></b>	<b><u>\$11,962,727</u></b>	<b><u>\$ 47,915</u></b>	<b><u>\$ 658,452</u></b>

Cash and cash equivalents reported above include \$1,500 of cash on hand that is not considered deposits or investments for footnote purposes.

Footnote presentation	
Deposits	\$ 10,998,797
Investments	<u>1,668,797</u>
<b>Total</b>	<b><u>\$ 12,667,594</u></b>

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal home loan bond	04/15/2009	\$ 99,250	AAA
Federal home loan bond	12/30/2009	300,000	AAA
Federal home loan bond	06/12/2013	300,000	AAA
Federal home loan bond	08/11/2008	250,000	AAA
Federal home loan bond	02/27/2009	199,850	AAA
Federal home loan bond	10/30/2008	300,000	AAA
Fannie Mae bond	08/11/2014	19,697	AAA
Fannie Mae bond	12/28/2007	<u>200,000</u>	AAA
<b>Total</b>		<b><u>\$1,668,797</u></b>	

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$837,306 of the City's bank balance of \$10,596,038 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$1,668,797 of investments, the City has a custodial credit risk exposure of \$1,668,797 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified on the previous page. The City's investment policy also does not have specific limits in concentration of credit risk. Each of the investments held by the City exceeds 5 percent of the City's total investments.

### **B. Receivables**

Receivables in the City's governmental activities consist of 6% special assessments, 1% taxes receivable, 1% interest receivable, 18% due from customers, and 74% due from other governments. Receivables in the business-type activities consist of 99% due from customers and 1% interest receivable.

Special assessments receivable are not expected to be collected within one year.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

### C. Capital assets

#### Primary Government

Capital assets recorded in the governmental activities of the primary government includes all sidewalk and streetscape improvements since the fiscal year ended June 30, 1997, streetlight improvements since the fiscal year ended June 30, 2003 and current fiscal year street improvements. All other infrastructure is not included in these financial statements.

Capital assets activity in the governmental and business-type activities was as follows:

	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,524,992	\$ 13,241	\$ (21,902)	\$ 1,516,331
Construction in progress	<u>2,752,774</u>	<u>-</u>	<u>(2,752,774)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,277,766</u>	<u>13,241</u>	<u>(2,774,676)</u>	<u>1,516,331</u>
Capital assets being depreciated				
Land improvements	5,082,606	-	-	5,082,606
Infrastructure	3,347,651	673,248	-	4,020,899
Buildings and structures	2,735,601	2,971,993	-	5,707,594
Vehicles	1,982,005	173,586	-	2,155,591
Furniture and equipment	<u>1,454,403</u>	<u>80,524</u>	<u>-</u>	<u>1,534,927</u>
Total capital assets being depreciated	<u>14,602,266</u>	<u>3,899,351</u>	<u>-</u>	<u>18,501,617</u>
Less accumulated depreciation				
Land improvements	(927,290)	(108,978)	-	(1,036,268)
Infrastructure	(382,228)	(102,338)	-	(484,566)
Buildings and structures	(1,486,153)	(160,537)	-	(1,646,690)
Vehicles	(916,245)	(176,775)	-	(1,093,020)
Furniture and equipment	<u>(785,313)</u>	<u>(129,352)</u>	<u>-</u>	<u>(914,665)</u>
Total accumulated depreciation	<u>(4,497,229)</u>	<u>(677,980)</u>	<u>-</u>	<u>(5,175,209)</u>
Total capital assets being depreciated, net	<u>10,105,037</u>	<u>3,221,371</u>	<u>-</u>	<u>13,326,408</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$14,382,803</u></b>	<b><u>\$ 3,234,612</u></b>	<b><u>\$(2,774,676)</u></b>	<b><u>\$14,842,739</u></b>



# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 51,974	\$ -	\$ -	\$ 51,974
Capital assets being depreciated				
Land improvements	64,989	-	-	64,989
Buildings and structures	264,082	-	-	264,082
Infrastructure	25,276,152	176,433	-	25,452,585
Equipment	<u>477,893</u>	<u>-</u>	<u>-</u>	<u>477,893</u>
Total capital assets being depreciated	<u>26,083,116</u>	<u>176,433</u>	<u>-</u>	<u>26,259,549</u>
Less accumulated depreciation				
Land improvements	-	(4,333)	-	(4,333)
Buildings and structures	(102,097)	(11,063)	-	(113,160)
Infrastructure	(8,370,945)	(809,422)	-	(9,180,367)
Equipment	<u>(197,305)</u>	<u>(26,207)</u>	<u>-</u>	<u>(223,512)</u>
Total accumulated depreciation	<u>(8,670,347)</u>	<u>(851,025)</u>	<u>-</u>	<u>(9,521,372)</u>
Total capital assets being depreciated, net	<u>17,412,769</u>	<u>(674,592)</u>	<u>-</u>	<u>16,738,177</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$17,464,743</b></u>	<u><b>\$ (674,592)</b></u>	<u><b>\$ -</b></u>	<u><b>\$16,790,151</b></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 80,337
Public safety - police	61,358
Public safety - fire	55,788
Public works	96,758
Recreation and culture	91,990
Community development	40,023
Capital assets held by the City's internal service fund charged to the various functions based on their usage of the assets	<u>251,726</u>
<b>Total depreciation expense – governmental activities</b>	<u><b>\$ 677,980</b></u>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

### Business-type activities

Water and sewer	\$ 820,047
Boat ramp	4,333
Marina	<u>26,645</u>

**Total depreciation expense – business-type activities**      **\$ 851,025**

### Discretely presented component unit

Capital asset activity in the Housing Commission component unit was as follows:

	<u>January 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2005</u>
<b>Housing Commission</b>				
Capital assets not being depreciated				
Land	\$ 312,216	\$ -	\$ -	\$ 312,216
Construction in progress	<u>33,917</u>	<u>11,473</u>	<u>(45,390)</u>	<u>-</u>
Total capital assets not being depreciated	<u>346,133</u>	<u>11,473</u>	<u>(45,390)</u>	<u>312,216</u>
Capital assets being depreciated				
Land improvements	45,262	26,930	-	72,192
Buildings	4,650,792	-	-	4,650,792
Furniture and equipment	409,548	7,596	(5,343)	411,801
Building improvements	<u>2,489,337</u>	<u>107,534</u>	<u>-</u>	<u>2,596,871</u>
Total capital assets being depreciated	7,594,939	142,060	(5,343)	7,731,656
Less accumulated depreciation				
Land improvements	(9,206)	(9,680)	-	(18,886)
Buildings	(2,968,023)	(115,091)	-	(3,083,114)
Furniture and equipment	(378,145)	(14,412)	22,748	(369,809)
Building improvements	<u>(1,151,270)</u>	<u>(117,992)</u>	<u>-</u>	<u>(1,269,262)</u>
Total accumulated depreciation	<u>(4,506,644)</u>	<u>(257,175)</u>	<u>22,748</u>	<u>(4,741,071)</u>
Total capital assets being depreciated, net	<u>3,088,295</u>	<u>(115,115)</u>	<u>17,405</u>	<u>2,990,585</u>
<b>Housing Commission capital assets, net</b>	<b><u>\$ 3,434,428</u></b>	<b><u>\$ 103,642</u></b>	<b><u>\$ (27,985)</u></b>	<b><u>\$ 3,302,801</u></b>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

### D. Interfund receivables, payables and transfers

The composition of interfund balances is as follows as of June 30, 2006:

	<b>Due To Other Funds</b>			<b>Total</b>
	<b>Major Street Fund</b>	<b>Public Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>	
<b><u>Due From Other Funds</u></b>				
General Fund	\$ -	\$ -	\$ 62,235	\$ 62,235
Water and Sewer Fund	25,315	23,284	-	48,599
<b>Total</b>	<b><u>\$ 25,315</u></b>	<b><u>\$ 23,284</u></b>	<b><u>\$ 62,235</u></b>	<b><u>\$ 110,834</u></b>

Interfund balances represent (1) short-term borrowings between funds for cash flow purposes, (2) to record a receivable for the year end transfer of interest revenue from the Oil & Gas Fund to the Water and Sewer Fund, and (3) to transfer expenses to funds where they should have been recorded in.

The composition of interfund transfers is as follows:

	<b>Transfers in</b>			<b>Total</b>
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water and Sewer Fund</b>	
<b><u>Transfers out</u></b>				
General Fund	\$ -	\$ 439,532	\$ -	\$ 439,532
Major Street Fund	-	142,655	-	142,655
Oil & Gas Fund	-	-	224,779	224,779
Nonmajor Governmental Funds	126,761	8,381	-	135,142
Water and Sewer Fund	-	42,000	-	42,000
<b>Total</b>	<b><u>\$ 126,761</u></b>	<b><u>\$ 632,568</u></b>	<b><u>\$ 224,779</u></b>	<b><u>\$ 984,108</u></b>

Transfers are used to (1) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) to transfer interest revenue to the Water and Sewer Fund from the Oil & Gas Fund.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### E. Long-term debt

**General obligation debt.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. These are direct obligations of the City and the City has pledged the full faith and credit. The City obtains notes payable to provide funds for the acquisition of other capital assets, mostly vehicles and other related equipment.

Included in the governmental activities general obligation debt is a Michigan Economic Development Corporation Loan in the amount of \$1,046,308. The amount of the loan is the original balance reduced by payments made by the City before the extension of the job credits period. The purpose of this loan was to assist in the funding of the construction of the City of Manistee Renaissance Park. Under the terms of the loan, the City will be credited \$20,000 against this original principal amount for each new qualifying job created within the Renaissance Park up to a maximum of fifty (50) jobs. The City, in prior years, had been credited with thirty-four (34) qualifying jobs, but as of June 30, 2006, the City has 15 qualifying jobs. Interest on the balance owed began accruing on March 1, 2004, with equal monthly principal and interest payments not to begin until October 31, 2006.

Under the terms of the agreement, in the event there are job losses (which there have been), no new job credits will be given until total existing jobs exceed the original thirty-four (34) jobs credited. The job creation provision in the agreement has been extended to October 31, 2006. In addition, in the event that total existing jobs have fallen below twenty (20) qualifying jobs by October 31, 2006, then all prior job credits will be lost and the City will be required to pay back the entire original loan balance.

The business-type activities have both revenue and general obligation bonds. The revenue bonds' principal and interest are to be paid from the net revenues from the respective water supply system and sewer supply system. The general obligation bonds have the City's limited tax obligation.

During 2006, the Water and Sewer Fund advance refunded \$355,000 of the 1997A revenue bond issue, \$3,495,000 of the 1998A revenue bond issue, and \$2,070,000 of the 1999A revenue bond, for a total of \$5,920,000, with a revenue refunding bond. The Water and Sewer Fund issued \$6,285,000 of revenue refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Water and Sewer Fund long-term liabilities. This advance refunding was undertaken to reduce total debt service payments over the next 22 years by \$1,118,243 and to obtain an economic gain of \$208,753.

The DDA component unit's bond payable is also a general obligation of the City. The component unit's payable was issued by the component unit on behalf of the primary government. No debt agreements were issued by the component unit during the year ended June 30, 2006.

The Ramsdell Theatre component unit obtained financing during the current fiscal year in the form of borrowings on a line of credit. There are no borrowings during the year.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

Following is a summary of bonds and notes payable of the City for the year ending June 30, 2006:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>			
2003 General Obligation Bond	2024	2.25-4.40%	\$ 2,825,000
1999 DDA Limited Tax General Obligation Bond	2020	4.70-5.38%	1,445,000
1999 Michigan Transportation Fund Limited Tax General Obligation Bond	2015	4.50-5.20%	1,020,000
1997 General Obligation Bond	2007	4.95-5.00%	60,000
Note payable – Victorian street lighting	2008	7.63%	25,560
Note payable – Copier	2008	4.25%	2,058
Note payable – Vactor sewer cleaner	2007	5.13%	24,037
Note payable – 4 Crown Victorians, 1 Ford Expedition, 2 Ford F-250's, 1 Ford E-250	2006	5.15%	-
Note payable – 2004 Skid steer	2008	4.25%	11,838
Note payable – 2003 Wheel loader	2009	4.00%	34,347
Note payable – Plow truck	2006	4.00%	-
Note payable – Holder tractor	2007	5.20%	2,007
Note payable – 2001 Wheel loader	2007	4.75%	-
Note payable – Pelican sweeper	2007	4.88%	-
Note payable – 2004 Sterling plow truck	2009	4.02%	38,803
Note payable – 2003 Snow blower	2009	4.02%	44,232
Note payable – Pierce pumper	2014	3.49%	170,888
Note payable – 2 Plow trucks	2009	3.75%	173,586
Michigan Economic Development Corporation Loan	Unknown	5.00%	<u>1,046,308</u>
			<b><u>\$ 6,923,664</u></b>
<b>Business-type activities</b>			
1997 Water and Sewer Revenue Bond	2009	5.30-5.38%	\$ 85,000
1997 General Obligation Bond	2017	2.25%	330,000
1998 Disposal System and Refunding Revenue Bond	2009	4.75-5.13%	585,000
1998 General Obligation Bond	2019	2.25%	1,855,000
1999 Water Supply and Sewage Disposal System Revenue Bond	2010	4.85-5.40%	425,000
1999 General Obligation Bond	2021	2.50%	1,815,000
2005 Water and Sewer Refunding Bond	2028	2.50%	<u>6,285,000</u>
			<b><u>\$11,380,000</u></b>

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for governmental activities and business-type activities are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 454,290	\$ 248,671	\$ 605,000	\$ 331,465
2008	372,261	231,233	630,000	317,274
2009	343,092	216,368	650,000	301,808
2010	346,415	202,260	680,000	286,570
2011	316,664	187,209	690,000	271,794
2012-2016	1,739,634	701,470	3,825,000	1,108,844
2016-2020	1,500,000	340,431	3,820,000	385,635
2021-2025	805,000	55,110	350,000	63,473
2026-2028	-	-	130,000	5,525
Unknown	1,046,308	-	-	-
<b>Total</b>	<b><u>\$ 6,923,664</u></b>	<b><u>\$2,182,752</u></b>	<b><u>\$11,380,000</u></b>	<b><u>\$3,072,388</u></b>

*Changes in long-term liabilities.* Long-term liability activity was as follows:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation					
Bonds	\$ 5,565,000	\$ -	\$ (215,000)	\$ 5,350,000	\$ 295,000
Notes payable	577,701	173,586	(223,931)	527,356	159,288
MEDC Loan	1,072,538	-	(26,230)	1,046,308	-
Compensated absences	143,828	187,319	(110,584)	220,563	110,000
	<b><u>\$ 7,359,067</u></b>	<b><u>\$ 360,905</u></b>	<b><u>\$ (575,745)</u></b>	<b><u>\$ 7,144,227</u></b>	<b><u>\$ 564,288</u></b>
<b>Business-type activities</b>					
General obligation					
bonds	\$ 4,245,000	\$ -	\$ (245,000)	\$ 4,000,000	\$ 250,000
Revenue bonds	7,315,000	6,285,000	(6,220,000)	7,380,000	355,000
Compensated absences	29,336	35,328	(19,847)	44,817	20,000
	<b><u>\$ 11,589,336</u></b>	<b><u>\$6,320,328</u></b>	<b><u>\$ (6,484,847)</u></b>	<b><u>\$ 11,424,817</u></b>	<b><u>\$ 625,000</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **IV. OTHER INFORMATION**

#### **A. Risk management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended June 30, 2006, the City carried insurance through various commercial carriers, to cover all risks of loss. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### **B. Property taxes**

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 20; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Manistee County.

Assessed values as established annually by the City, and subject to acceptance by the County, are equalized by the state at an estimated 50% of current market value. Real and personal property in the City for the 2005 levy were assessed and equalized at \$181,139,334 (not including properties subject to Industrial Facilities Tax Exemption), representing 50% of estimated current market value.

The government's general operating tax rate for fiscal year 2006 was 17.95 mills, with an additional 1.5 mills levied for the City Refuse Fund.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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### **C. Pension Plan**

#### ***Defined Benefit Pension Plan***

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

#### **Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate is 5.86% of annual covered payroll for COAM employees and 0% for all other employees. General, Supervisory, USWA, POAM and COAM employees are required to contribute 4%; and IAFF employees are required to contribute 5%. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adopted by the City.

#### **Annual Pension Cost**

For the year ended June 30, 2006, the City's annual pension cost of \$22,141 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the initial actuarial valuation using the entry age actuarial cost method. The actuarial assumption included (a) a rate of return on the investment of present and future assets of 8.0%, (b) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and (c) projected salary increases of 4.5% per year, compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at initial valuation was 30 years.



# CITY OF MANISTEE, MICHIGAN

## Notes to the Financial Statements

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<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
6/30/05	\$ -	100%	\$ -
6/30/06	22,141	100%	-

### **Housing Commission**

The Housing Commission participates in a multiple-employer public employee pension plan, under the Municipal Employees' Retirement System of Michigan (MERS). The pension covers all eligible full-time employees age (60 with 10 years of credited service, age 55 with 15 years of credited service or age 50 with 25 years of credited service) and requires a minimum contribution by the employees. The Housing Commission's normal cost contribution was computed to be 4.03% of member payroll for the fiscal year beginning January 1, 2007. The excess of accrued liabilities over accrued assets was amortized over 30 years as a level percent of payroll. The valuation payroll for the Housing Commission was \$254,191 and employee contributions were \$100,443 for the year ended December 31, 2005.

At December 31, 2005, the date of the last completed actuarial evaluation, the Housing Commission's termination liability for retirement benefits was \$415,562 (employer and employee combined). Valuation assets available to meet this obligation were \$276,658. The Housing Commission's estimated monthly contributions for the fiscal year beginning January 1, 2007 is \$854. There are seven active employees, one vested former member and one retiree and/or beneficiary. There is an unfunded actuarial accrued liability balance of \$153,643 as of December 31, 2005. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual actuarial valuation.

Housing Commission employees who retire under the pension plan will have the option of maintaining Blue Cross/Blue Shield for themselves and their dependents, the group premium for which will be paid 75 percent by the employer and 25 percent by the employee or spouse upon receipt of an invoice for the same. Employees not covered under the pension plan shall have the same option.

# **CITY OF MANISTEE, MICHIGAN**

## **Notes to the Financial Statements**

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### **D. Other post-employment benefits**

In addition to the pension benefits described in Note IV.C., the City provides a post retirement health insurance premium contribution of up to 50% of the premium or a maximum of \$250 per month from normal retirement until age 65 or eligibility for Medicare. The City paid approximately \$23,000 in health insurance premiums for 6 participants for the year ended June 30, 2006. The benefit is funded by assets in the City's General Fund and Water and Sewer Fund depending on what department the employee was employed in.

### **E. Prior period adjustments**

The Marina Fund balance at the beginning of 2006 has been adjusted to account for separation of land from land improvements in the capital asset classifications that resulted in a reduction of accumulated depreciation which increased the beginning of the year fund balance by \$46,974.

The Governmental Activities net assets at the beginning of 2006 have been adjusted to account for corrections in capital asset classifications that resulted in the overstatement capital assets. Had the errors not been made, net assets for 2005 would have been decreased by \$175,008.

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## **SUPPLEMENTARY INFORMATION**

# CITY OF MANISTEE

## SCHEDULE OF REVENUES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Taxes</b>				
Real and personal property taxes	\$ 3,145,262	\$ 3,195,262	\$ 3,182,541	\$ (12,721)
Interest on delinquent taxes	19,500	19,500	36,529	17,029
Payments in lieu of taxes	147,712	186,712	188,972	2,260
<b>Federal sources</b>	-	-	9,060	9,060
<b>State sources</b>				
State revenue sharing	773,000	773,834	764,699	(9,135)
<b>Charges for services</b>				-
Water and sewer	175,500	175,500	173,274	(2,226)
Major street	180,000	180,000	180,000	-
Local street	72,000	72,000	72,000	-
City refuse	80,000	80,000	79,045	(955)
Inspections	30,500	30,500	16,105	(14,395)
Other administrative charges	99,300	99,300	107,950	8,650
Charges for sales	2,500	2,500	4,789	2,289
<b>Licenses and permits</b>	9,050	8,500	4,393	(4,107)
<b>Fines and forfeits</b>	45,000	45,000	54,829	9,829
<b>Interest revenue</b>	35,000	35,000	52,691	17,691
<b>Miscellaneous</b>				
Refunds	-	-	1,498	1,498
Refunds - workers comp	20,000	20,000	13,184	(6,816)
Other	25,000	25,000	152,448	127,448
<b>TOTAL REVENUES</b>	<b>\$ 4,859,324</b>	<b>\$ 4,948,608</b>	<b>\$ 5,094,007</b>	<b>\$ 145,399</b>

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>LEGISLATIVE</b>				
Personnel services	\$ 27,687	\$ 27,687	\$ 27,595	\$ (92)
Supplies	11,200	15,200	14,876	(324)
Travel and training	6,500	6,500	6,427	(73)
<b>TOTAL LEGISLATIVE</b>	<b>45,387</b>	<b>49,387</b>	<b>48,898</b>	<b>(489)</b>
<b>GENERAL GOVERNMENT</b>				
Manager				
Personnel services	161,887	161,887	156,499	(5,388)
Supplies	7,825	7,825	8,225	400
Repair and maintenance	2,200	2,200	2,122	(78)
Training and travel	15,800	15,800	12,939	(2,861)
Capital outlay	1,325	1,325	489	(836)
Total manager	189,037	189,037	180,274	(8,763)
Finance				
Personnel services	154,909	154,909	146,898	(8,011)
Supplies	6,180	6,180	6,318	138
Contractual services	43,100	43,100	37,247	(5,853)
Training and travel	4,000	4,000	2,916	(1,084)
Capital outlay	2,126	2,126	4,549	2,423
Total finance	210,315	210,315	197,928	(12,387)

Continued...

**CITY OF MANISTEE**

**SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
Assessor				
Personnel services	\$ 141,311	\$ 141,311	\$ 140,720	\$ (591)
Supplies	5,475	5,475	6,165	690
Contractual services	14,090	14,090	14,079	(11)
Training and travel	6,655	6,655	4,152	(2,503)
Capital outlay	-	-	370	370
Total assessor	167,531	167,531	165,486	(2,045)
Attorney				
Contractual services	95,000	95,000	88,386	(6,614)
Clerk				
Personnel services	123,275	123,275	112,567	(10,708)
Supplies	14,850	14,850	7,203	(7,647)
Contractual services	800	800	815	15
Training and travel	5,700	5,700	3,902	(1,798)
Repairs and maintenance	1,000	1,000	1,932	932
Printing and publishing	7,800	7,800	9,710	1,910
Capital outlay	7,200	7,200	7,911	711
Total clerk	160,625	160,625	144,040	(16,585)
Community development				
Personnel services	210,561	210,561	191,652	(18,909)
Supplies	5,200	5,200	2,771	(2,429)
Training and travel	2,200	2,200	1,715	(485)
Transportation	2,300	2,300	1,800	(500)
Capital outlay	-	-	1,526	1,526
Total community development	220,261	220,261	199,464	(20,797)

Continued...

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
General service board and administration				
Harbor commission	\$ 1,500	\$ 1,500	\$ 63	\$ (1,437)
Board of review	2,300	2,300	1,990	(310)
Tree commission	300	300	335	35
Parks commission	150	150	-	(150)
Zoning board	900	900	476	(424)
Beautification committee	500	10,500	11,708	1,208
Planning commission	14,550	14,550	17,956	3,406
Total general service board and administration	20,200	30,200	32,528	2,328
Municipal building				
Rent	-	-	2,400	2,400
Supplies	7,600	7,600	8,377	777
Contractual services	37,000	37,000	41,655	4,655
Utilities	92,700	117,700	115,736	(1,964)
Repairs and maintenance	6,000	6,000	5,827	(173)
Capital outlay	10,000	10,000	-	(10,000)
Total municipal building	153,300	178,300	173,995	(4,305)
Other general government				
Professional services	10,000	10,000	37,704	27,704
Electric street lights	88,000	88,000	90,928	2,928
Insurance	80,000	80,000	80,121	121
Postage	25,000	25,000	24,170	(830)
Miscellaneous	81,553	116,553	150,571	34,018
Capital outlay	5,000	5,000	11,187	6,187
Total other general government	289,553	324,553	394,681	70,128
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,505,822</b>	<b>1,575,822</b>	<b>1,576,782</b>	<b>960</b>

Continued...

# CITY OF MANISTEE

## SCHEDULE OF EXPENDITURES BUDGET TO ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>PUBLIC SAFETY</b>				
Police				
Personnel services	\$ 981,677	\$ 981,677	\$ 913,449	\$ (68,228)
Supplies	23,386	23,386	27,383	3,997
Contractual services	5,000	5,000	1,400	(3,600)
Transportation	4,200	4,200	4,200	-
Uniform allowance	10,000	10,000	6,960	(3,040)
Repairs and maintenance	32,727	32,727	46,905	14,178
Training and travel	53,000	53,000	49,649	(3,351)
Other services and charges	2,022	2,022	2,274	252
Capital outlay	-	-	-	-
Total police	1,112,012	1,112,012	1,052,220	(59,792)
Fire				
Personnel services	580,189	580,189	546,488	(33,701)
Supplies	7,300	7,300	7,442	142
Uniform and food allowance	12,510	12,510	9,849	(2,661)
Training and travel	36,250	36,250	35,339	(911)
Repairs and maintenance	15,600	15,600	13,228	(2,372)
Hydrant rent	21,600	21,600	21,600	-
Other services and charges	3,800	3,800	1,479	(2,321)
Capital outlay	6,810	6,810	7,282	472
Total fire	684,059	684,059	642,707	(41,352)
<b>TOTAL PUBLIC SAFETY</b>	<b>1,796,071</b>	<b>1,796,071</b>	<b>1,694,927</b>	<b>(101,144)</b>

Continued...



**CITY OF MANISTEE**

**SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>PUBLIC WORKS</b>				
Engineering				
Contractual services	\$ 37,000	\$ 37,000	\$ 46,330	\$ 9,330
General public works				
Personnel services	681,911	681,911	683,839	1,928
Supplies	26,700	26,700	17,784	(8,916)
Contractual services	32,200	32,200	36,271	4,071
Repairs and maintenance	115,100	115,100	85,867	(29,233)
Training and travel	93,000	93,000	142,850	49,850
Total general public works	948,911	948,911	966,611	17,700
<b>TOTAL PUBLIC WORKS</b>	<b>985,911</b>	<b>985,911</b>	<b>1,012,941</b>	<b>27,030</b>
<b>RECREATION AND CULTURAL</b>				
Parks and recreation				
Personnel services	215,196	215,196	187,811	(27,385)
Supplies	500	500	6,465	5,965
Repair and maintenance	62,500	62,500	67,585	5,085
Training and travel	30,000	30,000	30,650	650
Utilities	22,800	22,800	19,642	(3,158)
Capital outlay	47,500	47,500	18,181	(29,319)
<b>TOTAL RECREATION AND CULTURAL</b>	<b>378,496</b>	<b>378,496</b>	<b>330,334</b>	<b>(48,162)</b>

Continued...

**CITY OF MANISTEE**

**SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>APPROPRIATIONS</b>				
Museum	\$ 7,780	\$ 7,780	\$ 7,780	\$ -
Manistee recreation association	30,000	30,000	30,000	-
Veterans/memorial day	1,000	1,000	1,000	-
A.A.Y.	13,000	13,000	13,000	-
Economic development	26,333	26,333	26,333	-
Civic players	7,800	7,800	7,800	-
Ramsdell restoration	25,000	25,000	25,000	-
SSCENT	30,000	30,000	30,000	-
PEG studio	18,000	26,000	26,283	283
<b>TOTAL APPROPRIATIONS</b>	<b>158,913</b>	<b>166,913</b>	<b>167,196</b>	<b>283</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,870,600</b>	<b>\$ 4,952,600</b>	<b>\$ 4,831,078</b>	<b>\$ (121,522)</b>

Concluded

# CITY OF MANISTEE

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,207,054	\$ 20,877	\$ 609,292	\$ 1,837,223
Investments	-	-	-	-
Receivables				
Accounts	17,932	-	-	17,932
Taxes	34,641	-	-	34,641
Due from other governments	59,201	-	-	59,201
<b>TOTAL ASSETS</b>	<b>\$ 1,318,828</b>	<b>\$ 20,877</b>	<b>\$ 609,292</b>	<b>\$ 1,948,997</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 83,611	\$ -	\$ -	\$ 83,611
Due to other funds	62,235	-	-	62,235
Deferred revenue	46,775	-	-	46,775
<b>TOTAL LIABILITIES</b>	<b>192,621</b>	<b>-</b>	<b>-</b>	<b>192,621</b>
<b>FUND BALANCES</b>				
Unreserved	1,126,207	-	-	1,126,207
Reserved for debt retirement	-	20,877	-	20,877
Reserved for capital projects	-	-	609,292	609,292
<b>TOTAL FUND BALANCES</b>	<b>1,126,207</b>	<b>20,877</b>	<b>609,292</b>	<b>1,756,376</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,318,828</b>	<b>\$ 20,877</b>	<b>\$ 609,292</b>	<b>\$ 1,948,997</b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 262,926	\$ 622	\$ -	\$ 263,548
Federal sources	443,905	-	-	443,905
State sources	141,000	-	-	141,000
Rental income	-	-	-	-
Charge for services	277,353	-	-	277,353
Interest revenue	44,044	733	14,078	58,855
Reimbursement	-	145,956	-	145,956
Miscellaneous	-	-	38,371	38,371
<b>TOTAL REVENUES</b>	<b>1,169,228</b>	<b>147,311</b>	<b>52,449</b>	<b>1,368,988</b>
<b>EXPENDITURES</b>				
Current operations				
General government	131,713	1,256	243,397	376,366
Public safety	24,159	-	-	24,159
Highways and streets	161,277	-	-	161,277
Public works	444,343	-	-	444,343
Community development	424,400	-	-	424,400
Debt service				
Principal	-	275,000	26,230	301,230
Interest expense	-	241,435	-	241,435
<b>TOTAL EXPENDITURES</b>	<b>1,185,892</b>	<b>517,691</b>	<b>269,627</b>	<b>1,973,210</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(16,664)</b>	<b>(370,380)</b>	<b>(217,178)</b>	<b>(604,222)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	59,450	311,118	262,000	632,568
Transfers out	(104,992)	-	(30,150)	(135,142)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(45,542)</b>	<b>311,118</b>	<b>231,850</b>	<b>497,426</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(62,206)</b>	<b>(59,262)</b>	<b>14,672</b>	<b>(106,796)</b>
FUND BALANCES, BEGINNING OF YEAR	1,188,413	80,139	594,620	1,863,172
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,126,207</b>	<b>\$ 20,877</b>	<b>\$ 609,292</b>	<b>\$ 1,756,376</b>

# CITY OF MANISTEE

## COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	<u>Building Inspector</u>	<u>Local Street</u>	<u>Street Improvement</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,939	\$ 399,398	\$ 81,756
Investments	-	-	-
Receivables			
Accounts	-	-	411
Taxes	-	-	-
Due from other governments	-	22,760	-
<b>TOTAL ASSETS</b>	<u><u>\$ 2,939</u></u>	<u><u>\$ 422,158</u></u>	<u><u>\$ 82,167</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 10,946	\$ 11,719
Deferred revenue	-	-	-
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>10,946</u>	<u>11,719</u>
<b>FUND BALANCES</b>			
Unreserved	2,939	411,212	70,448
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,939</u></u>	<u><u>\$ 422,158</u></u>	<u><u>\$ 82,167</u></u>

<b>City Refuse</b>	<b>EPA Brownfield Pilot Grant</b>	<b>EPA Brownfield Phase 2</b>	<b>Criminal Justice</b>	<b>Local Revenue Sharing</b>
\$ 505,447	\$ -	\$ -	\$ 925	\$ 63,153
-	-	-	-	-
15,421	-	-	-	-
1,956	-	-	-	-
-	-	36,441	-	-
<b>\$ 522,824</b>	<b>\$ -</b>	<b>\$ 36,441</b>	<b>\$ 925</b>	<b>\$ 63,153</b>
\$ 23,590	\$ -	\$ 13,251	\$ -	\$ -
-	-	-	-	-
39,045	-	23,190	-	-
<b>62,635</b>	<b>-</b>	<b>36,441</b>	<b>-</b>	<b>-</b>
460,189	-	-	925	63,153
<b>\$ 522,824</b>	<b>\$ -</b>	<b>\$ 36,441</b>	<b>\$ 925</b>	<b>\$ 63,153</b>

Continued...

# CITY OF MANISTEE

## COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	Maple Street Bridge	Riverwalk Maintenance	Special Assessment	Central Business District Grant
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,027	\$ 102,730	\$ 500	\$ 25,050
Investments	-	-	-	-
Receivables				
Accounts	2,100	-	-	-
Taxes	-	-	32,685	-
Due from other governments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 23,127</b>	<b>\$ 102,730</b>	<b>\$ 33,185</b>	<b>\$ 25,050</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 14,662	\$ -	\$ -	\$ 8,200
Deferred revenue	-	-	21,775	25,000
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>14,662</b>	<b>-</b>	<b>21,775</b>	<b>33,200</b>
<b>FUND BALANCES</b>				
Unreserved	8,465	102,730	11,410	(8,150)
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,127</b>	<b>\$ 102,730</b>	<b>\$ 33,185</b>	<b>\$ 25,050</b>

<b>Ramsdell Theatre</b>	<b>State of Michigan Fire Insurance Fund</b>	<b>Total</b>
\$ 4,128	\$ 1	\$ 1,207,054
-	-	-
-	-	17,932
-	-	34,641
-	-	59,201
<b>\$ 4,128</b>	<b>\$ 1</b>	<b>\$ 1,318,828</b>
\$ 1,243	\$ -	\$ 83,611
-	-	46,775
-	-	62,235
<b>1,243</b>	<b>-</b>	<b>192,621</b>
2,885	1	1,126,207
<b>\$ 4,128</b>	<b>\$ 1</b>	<b>\$ 1,318,828</b>

Concluded



**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Building Inspector</u>	<u>Local Street</u>	<u>Street Improvement</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Federal sources	-	-	-
State sources	-	137,840	-
Charge for services	13,450	4,424	37,030
Interest revenue	285	11,828	4,168
Miscellaneous revenue	-	-	-
<b>TOTAL REVENUES</b>	<u>13,735</u>	<u>154,092</u>	<u>41,198</u>
<b>EXPENDITURES</b>			
Current operations			
General government	-	-	-
Public safety	13,614	-	-
Highways and streets	-	119,613	16,374
Public works	-	-	-
Community development	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>13,614</u>	<u>119,613</u>	<u>16,374</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>121</u>	<u>34,479</u>	<u>24,824</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	8,380
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>8,380</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>121</u>	<u>34,479</u>	<u>33,204</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,818</u>	<u>376,733</u>	<u>37,244</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 2,939</u></u>	<u><u>\$ 411,212</u></u>	<u><u>\$ 70,448</u></u>

<u>City Refuse</u>	<u>EPA Brownfield Pilot Grant</u>	<u>EPA Brownfield Phase 2</u>	<u>Criminal Justice</u>	<u>Local Revenue Sharing</u>
\$ 262,926	\$ -	\$ -	\$ -	\$ -
-	36,656	36,441	-	-
-	-	-	3,160	-
126,755	-	-	-	34,000
22,719	-	-	52	-
-	-	-	-	-
<b>412,400</b>	<b>36,656</b>	<b>36,441</b>	<b>3,212</b>	<b>34,000</b>
-	-	-	-	58,604
-	-	-	3,666	-
-	-	-	-	-
372,855	35,047	36,441	-	-
-	-	-	-	-
<b>372,855</b>	<b>35,047</b>	<b>36,441</b>	<b>3,666</b>	<b>58,604</b>
<b>39,545</b>	<b>1,609</b>	<b>-</b>	<b>(454)</b>	<b>(24,604)</b>
-	-	-	-	-
(95,000)	(1,612)	-	-	-
<b>(95,000)</b>	<b>(1,612)</b>	<b>-</b>	<b>-</b>	<b>-</b>
(55,455)	(3)	-	(454)	(24,604)
515,644	3	-	1,379	87,757
<b>\$ 460,189</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 925</b>	<b>\$ 63,153</b>

Continued...

**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Maple Street Bridge</u>	<u>Riverwalk Maintenance</u>	<u>Special Assessment</u>	<u>Central Business District Grant</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	370,808
State sources	-	-	-	-
Charge for services	5,550	-	10,702	45,442
Interest revenue	830	4,089	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>6,380</u>	<u>4,089</u>	<u>10,702</u>	<u>416,250</u>
<b>EXPENDITURES</b>				
Current operations				
General government	-	24,851	-	-
Public safety	-	-	-	-
Highways and streets	25,290	-	-	-
Public works	-	-	-	-
Community development	-	-	-	424,400
<b>TOTAL EXPENDITURES</b>	<u>25,290</u>	<u>24,851</u>	<u>-</u>	<u>424,400</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(18,910)</u>	<u>(20,762)</u>	<u>10,702</u>	<u>(8,150)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(8,380)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(8,380)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(18,910)</u>	<u>(20,762)</u>	<u>2,322</u>	<u>(8,150)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>27,375</u>	<u>123,492</u>	<u>9,088</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 8,465</u></u>	<u><u>\$ 102,730</u></u>	<u><u>\$ 11,410</u></u>	<u><u>\$ (8,150)</u></u>

<b>Ramsdell Theatre</b>	<b>State of Michigan Fire Insurance Fund</b>	<b>Total</b>
\$ -	\$ -	\$ 262,926
-	-	443,905
-	-	141,000
-	-	277,353
73	-	44,044
-	-	-
<b>73</b>	<b>-</b>	<b>1,169,228</b>
48,258	-	131,713
-	6,879	24,159
-	-	161,277
-	-	444,343
-	-	424,400
<b>48,258</b>	<b>6,879</b>	<b>1,185,892</b>
<b>(48,185)</b>	<b>(6,879)</b>	<b>(16,664)</b>
51,070	-	59,450
-	-	(104,992)
<b>51,070</b>	<b>-</b>	<b>(45,542)</b>
<b>2,885</b>	<b>(6,879)</b>	<b>(62,206)</b>
-	6,880	1,188,413
<b>\$ 2,885</b>	<b>\$ 1</b>	<b>\$ 1,126,207</b>

Concluded

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
BUILDING INSPECTOR  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 33,000	\$ 33,000	\$ 13,450	\$ (19,550)
Interest revenue	50	50	285	235
<b>TOTAL REVENUES</b>	<b>33,050</b>	<b>33,050</b>	<b>13,735</b>	<b>(19,315)</b>
<b>EXPENDITURES</b>				
Public safety	32,300	32,300	13,614	(18,686)
<b>NET CHANGE IN FUND BALANCE</b>	<b>750</b>	<b>750</b>	<b>121</b>	<b>(629)</b>
FUND BALANCE, BEGINNING OF YEAR	2,818	2,818	2,818	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,568</b>	<b>\$ 3,568</b>	<b>\$ 2,939</b>	<b>\$ (629)</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
LOCAL STREET  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>				
State sources	\$ 140,000	\$ 140,000	\$ 137,840	\$ (2,160)
Charges for services	-	-	4,424	4,424
Interest revenue	5,000	5,000	11,828	6,828
<b>TOTAL REVENUES</b>	<b>145,000</b>	<b>145,000</b>	<b>154,092</b>	<b>9,092</b>
<b>EXPENDITURES</b>				
Highways and streets	135,500	135,500	119,613	(15,887)
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,500</b>	<b>9,500</b>	<b>34,479</b>	<b>24,979</b>
FUND BALANCE, BEGINNING OF YEAR	376,733	376,733	376,733	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 386,233</b>	<b>\$ 386,233</b>	<b>\$ 411,212</b>	<b>\$ 24,979</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
STREET IMPROVEMENT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 32,500	\$ 32,500	\$ 37,030	\$ 4,530
Interest revenue	150	150	4,168	4,018
<b>TOTAL REVENUES</b>	<b>32,650</b>	<b>32,650</b>	<b>41,198</b>	<b>8,548</b>
<b>EXPENDITURES</b>				
Highways and streets	40,000	40,000	16,374	(23,626)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,350)</b>	<b>(7,350)</b>	<b>24,824</b>	<b>32,174</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	7,500	7,500	8,380	880
<b>NET CHANGE IN FUND BALANCE</b>	<b>150</b>	<b>150</b>	<b>33,204</b>	<b>33,054</b>
FUND BALANCE, BEGINNING OF YEAR	37,244	37,244	37,244	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 37,394</b>	<b>\$ 37,394</b>	<b>\$ 70,448</b>	<b>\$ 33,054</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
CITY REFUSE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Taxes	\$ 265,000	\$ 265,000	\$ 262,926	\$ (2,074)
Charge for services	127,500	127,500	126,755	(745)
Interest revenue	8,500	18,500	22,719	4,219
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>401,000</b>	<b>411,000</b>	<b>412,400</b>	<b>1,400</b>
<b>EXPENDITURES</b>				
Public works	412,000	412,000	372,855	(39,145)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,000)</b>	<b>(1,000)</b>	<b>39,545</b>	<b>40,545</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers out	(95,000)	(95,000)	(95,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(106,000)</b>	<b>(96,000)</b>	<b>(55,455)</b>	<b>40,545</b>
FUND BALANCE, BEGINNING OF YEAR	515,644	515,644	515,644	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 409,644</b>	<b>\$ 419,644</b>	<b>\$ 460,189</b>	<b>\$ 40,545</b>



**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
EPA BROWNFIELD PILOT GRANT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ 50,000	\$ 50,000	\$ 36,656	\$ (13,344)
<b>EXPENDITURES</b>				
Public works	50,000	50,000	35,047	(14,953)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	<b>1,609</b>	<b>1,609</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers out	-	-	(1,612)	(1,612)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	<b>(3)</b>	<b>(3)</b>
FUND BALANCE, BEGINNING OF YEAR	3	3	3	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ (3)</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
CRIMINAL JUSTICE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
State sources	\$ 3,500	\$ 3,500	\$ 3,160	\$ (340)
Interest revenue	-	-	52	52
<b>TOTAL REVENUES</b>	<b>3,500</b>	<b>3,500</b>	<b>3,212</b>	<b>(288)</b>
<b>EXPENDITURES</b>				
Public safety	4,300	4,300	3,666	(634)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(800)</b>	<b>(800)</b>	<b>(454)</b>	<b>346</b>
FUND BALANCE, BEGINNING OF YEAR	1,379	1,379	1,379	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 579</b>	<b>\$ 579</b>	<b>\$ 925</b>	<b>\$ 346</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
LOCAL REVENUE SHARING  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ -	\$ 34,000	\$ 34,000	\$ -
Interest revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>34,000</b>	<b>34,000</b>	<b>-</b>
<b>EXPENDITURES</b>				
General government	-	75,000	58,604	(16,396)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(41,000)</b>	<b>(24,604)</b>	<b>16,396</b>
FUND BALANCE, BEGINNING OF YEAR	87,757	87,757	87,757	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 87,757</b>	<b>\$ 46,757</b>	<b>\$ 63,153</b>	<b>\$ 16,396</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
MAPLE STREET BRIDGE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 3,000	\$ 7,000	\$ 5,550	\$ (1,450)
Interest revenue	-	-	830	830
<b>TOTAL REVENUES</b>	<b>3,000</b>	<b>7,000</b>	<b>6,380</b>	<b>(620)</b>
<b>EXPENDITURES</b>				
Highways and streets	-	10,000	25,290	15,290
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,000</b>	<b>(3,000)</b>	<b>(18,910)</b>	<b>(15,910)</b>
FUND BALANCE, BEGINNING OF YEAR	27,375	27,375	27,375	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 30,375</b>	<b>\$ 24,375</b>	<b>\$ 8,465</b>	<b>\$ (15,910)</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
RIVERWALK MAINTENANCE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

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	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Interest revenue	\$ 3,500	\$ 3,500	\$ 4,089	\$ 589
<b>EXPENDITURES</b>				
General government	3,500	23,500	24,851	1,351
<b>NET CHANGE IN FUND BALANCE</b>	-	(20,000)	(20,762)	(762)
FUND BALANCE, BEGINNING OF YEAR	123,492	123,492	123,492	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 123,492</b>	<b>\$ 103,492</b>	<b>\$ 102,730</b>	<b>\$ (762)</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
SPECIAL ASSESSMENT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Charge for services	\$ 7,500	\$ 7,500	\$ 10,702	\$ 3,202
Interest revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>7,500</b>	<b>7,500</b>	<b>10,702</b>	<b>3,202</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(7,500)	(7,500)	(8,380)	(880)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>2,322</b>	<b>2,322</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>9,088</b>	<b>9,088</b>	<b>9,088</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 9,088</b>	<b>\$ 9,088</b>	<b>\$ 11,410</b>	<b>\$ 2,322</b>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
CENTRAL BUSINESS DISTRICT GRANT  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 450,000	\$ 370,808	\$ (79,192)
Charge for services	-	-	45,442	45,442
<b>TOTAL REVENUES</b>	-	450,000	416,250	(33,750)
<b>EXPENDITURES</b>				
Community development	-	450,000	424,400	(25,600)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(8,150)	(8,150)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,150)</u>	<u>\$ (8,150)</u>

**CITY OF MANISTEE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
RAMSDELL THEATRE RESTORATION  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
State sources	\$ 9,200	\$ 9,200	\$ -	\$ (9,200)
Interest revenue	-	-	73	73
<b>TOTAL REVENUES</b>	9,200	9,200	73	(9,127)
<b>EXPENDITURES</b>				
General government	9,200	51,200	48,258	(2,942)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(42,000)	(48,185)	(6,185)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	42,000	51,070	9,070
<b>NET CHANGE IN FUND BALANCE</b>	-	-	2,885	2,885
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,885</u>	<u>\$ 2,885</u>



**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
STATE OF MICHIGAN FIRE INSURANCE  
NONMAJOR SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Public safety	-	7,000	6,879	(121)
<b>NET CHANGE IN FUND BALANCE</b>	-	(7,000)	(6,879)	121
FUND BALANCE, BEGINNING OF YEAR	6,880	6,880	6,880	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 6,880</b>	<b>\$ (120)</b>	<b>\$ 1</b>	<b>\$ 121</b>

**CITY OF MANISTEE**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS**

**JUNE 30, 2006**

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	<b>Debt Service Fund</b>	<b>Fire Truck</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents (equal to fund balance reserved for debt retirement)	<u><u>\$ 8,456</u></u>	<u><u>\$ 12,421</u></u>	<u><u>\$ 20,877</u></u>

# CITY OF MANISTEE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Debt Service Fund	Fire Truck	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ 622	\$ 622
Reimbursement	145,956	-	145,956
Interest revenue	-	733	733
<b>TOTAL REVENUES</b>	<b>145,956</b>	<b>1,355</b>	<b>147,311</b>
<b>EXPENDITURES</b>			
General government	1,256	-	1,256
Debt service			
Principal	220,000	55,000	275,000
Interest expense	237,074	4,361	241,435
<b>TOTAL EXPENDITURES</b>	<b>458,330</b>	<b>59,361</b>	<b>517,691</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(312,374)	(58,006)	(370,380)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	311,118	-	311,118
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,256)</b>	<b>(58,006)</b>	<b>(59,262)</b>
FUND BALANCES, BEGINNING OF YEAR	9,712	70,427	80,139
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 8,456</b>	<b>\$ 12,421</b>	<b>\$ 20,877</b>

**CITY OF MANISTEE**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS**

**JUNE 30, 2006**

	<b>Building Authority</b>	<b>Industrial Park</b>	<b>Renaissance Park</b>	<b>Capital Improvement</b>	<b>Capital Improvement Bonds</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents (equal to reserved fund balances for capital projects.)	<u>\$ -</u>	<u>\$ 181,744</u>	<u>\$ 95,910</u>	<u>\$ 262,000</u>	<u>\$ 69,638</u>	<u>\$ 609,292</u>

**CITY OF MANISTEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Building Authority</b>	<b>Industrial Park</b>	<b>Renaissance Park</b>	<b>Capital Improvement</b>	<b>Capital Improvement Bonds</b>	<b>Total</b>
<b>REVENUES</b>						
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest revenue	1,110	7,058	2,811	-	3,099	14,078
Miscellaneous	-	-	35,000	-	3,371	38,371
<b>TOTAL REVENUES</b>	<b>1,110</b>	<b>7,058</b>	<b>37,811</b>	<b>-</b>	<b>6,470</b>	<b>52,449</b>
<b>EXPENDITURES</b>						
General government	-	28,412	-	-	214,985	243,397
Debt service - principal	-	-	26,230	-	-	26,230
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>28,412</b>	<b>26,230</b>	<b>-</b>	<b>214,985</b>	<b>269,627</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,110</b>	<b>(21,354)</b>	<b>11,581</b>	<b>-</b>	<b>(208,515)</b>	<b>(217,178)</b>
<b>OTHER FINANCING (USES)</b>						
Transfers in	-	-	-	262,000	-	262,000
Transfers out	(30,150)	-	-	-	-	(30,150)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,150)</b>	<b>-</b>	<b>-</b>	<b>262,000</b>	<b>-</b>	<b>231,850</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(29,040)</b>	<b>(21,354)</b>	<b>11,581</b>	<b>262,000</b>	<b>(208,515)</b>	<b>14,672</b>
FUND BALANCES, BEGINNING OF YEAR	29,040	203,098	84,329	-	278,153	594,620
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 181,744</b>	<b>\$ 95,910</b>	<b>\$ 262,000</b>	<b>\$ 69,638</b>	<b>\$ 609,292</b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2006

	<b>Boat Ramp Fund</b>	<b>Marina Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 29,073	\$ 31,589	\$ 60,662
Accounts receivables	-	515	515
Prepaid items	61	219	280
Inventory	-	11,943	11,943
<b>Total current assets</b>	<b>29,134</b>	<b>44,266</b>	<b>73,400</b>
<b>Long-term assets</b>			
Capital assets (net of accumulated depreciation)	60,656	388,639	449,295
<b>TOTAL ASSETS</b>	<b>89,790</b>	<b>432,905</b>	<b>522,695</b>
<b>LIABILITIES</b>			
Accounts payable	23	9,758	9,781
Accrued liabilities	408	1,414	1,822
<b>TOTAL LIABILITIES</b>	<b>431</b>	<b>11,172</b>	<b>11,603</b>
<b>NET ASSETS</b>			
Invested in capital assets	60,656	388,639	449,295
Unrestricted	28,703	33,094	61,797
<b>TOTAL NET ASSETS</b>	<b>\$ 89,359</b>	<b>\$ 421,733</b>	<b>\$ 511,092</b>

# CITY OF MANISTEE

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR ENTERPRISE FUNDS

**FOR THE YEAR ENDED JUNE 30, 2006**

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	<b>Boat Ramp</b>	<b>Marina</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 38,026	\$ 185,040	\$ 223,066
<b>OPERATING EXPENSES</b>			
Boat ramp operations	18,343	-	18,343
Marina operations	-	179,601	179,601
Depreciation	4,333	26,645	30,978
<b>TOTAL OPERATING EXPENSES</b>	<b>22,676</b>	<b>206,246</b>	<b>228,922</b>
<b>OPERATING LOSS</b>	<b>15,350</b>	<b>(21,206)</b>	<b>(5,856)</b>
<b>NON-OPERATING REVENUE</b>			
Interest revenue	767	883	1,650
<b>CHANGE IN NET ASSETS</b>	<b>16,117</b>	<b>(20,323)</b>	<b>(4,206)</b>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	73,242	442,056	515,298
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 89,359</b>	<b>\$ 421,733</b>	<b>\$ 511,092</b>

**CITY OF MANISTEE**

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Boat Ramp</b>	<b>Marina</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 38,026	\$ 185,780	\$ 223,806
Cash payments to employees	(12,559)	(25,671)	(38,230)
Cash payments to suppliers for goods and services	(5,612)	(162,976)	(168,588)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>19,855</b>	<b>(2,867)</b>	<b>16,988</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	767	883	1,650
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>20,622</b>	<b>(1,984)</b>	<b>18,638</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,451	33,573	42,024
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 29,073</b>	<b>\$ 31,589</b>	<b>\$ 60,662</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ 15,350	\$ (21,206)	\$ (5,856)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	4,333	26,645	30,978
Changes in assets and liabilities			
Accounts receivable	-	740	740
Prepaid items	41	134	175
Inventory	-	(2,973)	(2,973)
Accounts payable	23	(6,467)	(6,444)
Accrued liabilities	108	260	368
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 19,855</b>	<b>\$ (2,867)</b>	<b>\$ 16,988</b>



**CITY OF MANISTEE, MICHIGAN**

**COMBINING BALANCE SHEET  
AGENCY FUNDS**

**JUNE 30, 2006**

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	<b>Tax Collection</b>	<b>Payroll</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 47,915</u>	<u>\$ 47,915</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ -	\$ 17,691	\$ 17,691
Due to other governments	<u>-</u>	<u>30,224</u>	<u>30,224</u>
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ 47,915</u>	<u>\$ 47,915</u>

# **CITY OF MANISTEE**

## **STATEMENT OF NET ASSETS COMPONENT UNIT - RAMSDELL THEATRE**

**JUNE 30, 2006**

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### **ASSETS**

Cash and cash equivalents	\$	15,115
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### **LIABILITIES**

Accounts payable		<u>1,904</u>
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### **NET ASSETS**

Unrestricted	\$	<u><u>13,211</u></u>
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**CITY OF MANISTEE**

**STATEMENT OF ACTIVITIES**

**COMPONENT UNIT - RAMSDELL THEATRE RESTORATION**

**FOR THE YEAR ENDED JUNE 30, 2006**

**REVENUES AND SUPPORT**

State revenue	\$ 19,900
Contributions	16,140
Interest earned	297
	<u>          </u>

**TOTAL REVENUE AND SUPPORT**

**36,337**

**EXPENSES**

Program services	51,296
Management and general	-
Debt service	
Interest expense	-
	<u>          </u>

**TOTAL EXPENSES**

**51,296**

**CHANGE IN NET ASSETS**

**(14,959)**

**NET ASSETS, BEGINNING OF YEAR**

28,170

**NET ASSETS, END OF YEAR**

**\$ 13,211**



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND ON OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 30, 2006

The Honorable Mayor and  
Members of the City Council  
City of Manistee  
Manistee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Manistee, Michigan* (the "City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the City of Manistee's Housing Commission and Downtown Development Authority discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements insofar as it relates to the amounts included for the City of Manistee's Housing Commission and Downtown Development Authority discretely presented component units is based on the reports of other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that, in our judgment could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described as follows:

As is common with governmental units the size of the City, the number of staff results in limited segregation of duties over billing and collection of utility receipts. The City recognizes this risk and continues to implement procedures where possible to improve the segregation of duties within the limitations of the current staffing levels.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, members of the City Council, others within the organization, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

September 30, 2006

The Honorable Mayor and  
Members of the City Council  
City of Manistee  
Manistee, Michigan

**Compliance**

We have audited the compliance of the ***City of Manistee, Michigan***, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The ***City of Manistee, Michigan***'s major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the ***City of Manistee, Michigan***'s management. Our responsibility is to express an opinion on the ***City of Manistee, Michigan***'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ***City of Manistee, Michigan***'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ***City of Manistee, Michigan***'s compliance with those requirements.

In our opinion, the ***City of Manistee, Michigan***, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of ***City of Manistee, Michigan***, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

federal programs. In planning and performing our audit, we considered the *City of Manistee, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We did not audit the discretely presented component unit financial statements of the City of Manistee Housing Commission and Downtown Development Authority, which represents 91% and 4% of the assets and 74% and 15% of the revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar, as they relate to the amounts included for the City of Manistee's Housing Commission and Downtown Development Authority, is based on the reports of the other auditors.

This report is intended solely for the information and use of the finance committee, management, Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

**CITY OF MANISTEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Awards Expended</b>	
<b>U.S. Environmental Protection Agency</b>				
Brownfield Pilot Assessment	66.818	BP-97598101-0	\$ 36,656	GTO/5
Brownfield Assessment Phase II	66.818	BF-96594601-0	36,441	GTO/6
<b>Total U.S. Environmental Protection Agency</b>			<u>73,097</u>	
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed-Through Michigan State Housing Development Authority</i>				
Community Development Block Grant/State's Program -				
Michigan Community Development Block Grant Housing Program	14.228	MSC-2004-0082-MDC	370,808	GTO/3
<i>Passed-Through Michigan Strategic Fund</i>				
Fifth Avenue Infrastructure Project	14.228	MSC-203078-PW	<u>227,812</u>	GTO/1
<b>Total U.S. Department of Housing and Urban Development</b>			<u>598,620</u>	
<b>U.S. Department of Justice</b>				
<i>Passed-Through Michigan Office of Highway Safety Planning</i>				
Spotlight Grant	16.727	OHSP 2006-JJ-06-10	<u>9,060</u>	GTO/7 and GTO/8
<b>Total Expenditures of Federal Awards</b>			<u>\$ 680,777</u>	



**CITY OF MANISTEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ yes   X   no

**CFDA Number(s)**

**Name of Federal Program or Cluster**

14.228

Community Development Block  
Grant/State's Program – Michigan  
Community Development Block  
Grant Housing and Fifth Avenue  
Infrastructure Project

**CITY OF MANISTEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV – PRIOR YEAR FINDINGS**

None.